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Mr McEague

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

VICTORIA
British Columbia

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of Hearings held
in Victoria, British Columbia,
on the 22nd day of February 22,
1960.

COMMISSION

Mr. M.A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A.H. Balch	Member
Mr. R. Gobeil	Member
Mr. H.A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.	
Mr. G.S. Cumming	
Mr. H.W. Ellicott	Adviser

Mr. F.W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Victoria, B.C.
Monday,
February 22, 1960.

---On Commencing at 10.00 a.m.

THE CHAIRMAN: We will come to order, please.
Will the Secretary please read from the terms of
reference of the Order in Council.

THE SECRETARY: Mr. Chairman, I read from
a true copy of a Minute of a Meeting of the Privy
Council, of the 13th of May, 1959, which was given
P.C. Order No. 1959-577.

The Committee, therefore, on the recommenda-
tion of the Prime Minister, advise that

Herbert Anscomb, Victoria

Archibald H. Balch, Ottawa

Rene Gobeil, Quebec

M. A. MacPherson, Sr., Regina

Howard Mann, Moncton

Honourable Charles P. McTague, Toronto

Arnold Platt, Lethbridge

be appointed Commissioners under Part 1 of the Inquiries
Act to inquire into and report upon the problems relating
to railway transportation in Canada and the causes there-
of, and to recommend solutions thereto, and in particular,
without restricting the generality of the foregoing,
the Commission shall consider and report upon:

- (a) inequities in the freight rate structure,
their incidence upon the various regions of
Canada and the legislative and other changes



- 1 that can and should be made, in furtherance
2 of national economic policy, to remove or
3 alleviate such inequities;
4 (b) the obligations and limitations imposed
5 upon railways by law for reasons of public
6 policy, and what can and should be done to
7 ensure a more equitable distribution of
8 any burden which may be found to result there-
9 from;
10 (c) the possibilities of achieving more economical
11 and efficient railway transportation;
12 (d) whether, and to what extent, the Railway Act
13 should specify what assets and earnings of
14 railway companies in businesses and invest-
15 ments other than railways should be taken
16 into account in establishing freight rates;
17 and
18 (e) such other related matters as the Commissioners
19 consider pertinent or relevant to the specific
20 or general scope of the inquiry.

21 The Committee further advise:

- 22 1. That the scope of this Commission shall not
23 extend to the performance of functions which
24 under the Railway Act are within the exclusive
25 jurisdiction of the Board of Transport Com-
26 missioners;
27 2. That the Commissioners be authorized to
28 exercise all the powers conferred upon them
29 by Section 11 of the Inquiries Act, and be
30



- 1 assisted to the fullest extent by government
2 departments and agencies;
- 3 3. That the Commissioners adopt such procedure
4 and methods as they may from time to time
5 deem expedient for the proper conduct of
6 the inquiry and sit at such times and at
7 such places in Canada as they may decide
8 from time to time;
- 9 4. That the Commissioners be authorized to
10 engage the services of such counsel, staff
11 and technical advisers as they may require
12 at rates of remuneration and reimbursement
13 approved by the Treasury Board;
- 14 5. That the Commissioners report to the Governor
15 in Council with all reasonable despatch; and
- 16 6. That the Honourable Charles P. McTague be
17 Chairman of the Commission.

18 R.B. Bryce,

19 Clerk of the Privy Council.

20 Mr. Chairman, I read further from a Minute
21 of the Privy Council given the number
22 1959-1628.

23 The Committee of the Privy Council have
24 had before them a report from the Prime Minister sub-
25 mitting that the Honourable Charles P. McTague has,
26 by reason of ill health, asked to be relieved of the
27 responsibilities placed on him as member and chairman
28 of the Royal Commission on Transportation to which he
29 was appointed by Order in Council P.C. 1959-577 of
30 13th May, 1959.



The Committee accordingly advise that Mr. McTague's resignation as a member and chairman of the said Commission be accepted and that Murdoch Alexander MacPherson, Esquire, Q.C., a member of the Commission, be Chairman thereof.

(sgd) R.B. Bryce,
Clerk of the Privy Council.

THE CHAIRMAN: Now, gentlemen, I would like to present to you the members of this Commission.

On my left is Mr. Balch of the City of
Ottawa, who has been all his life interested in the
Trade Union Movement.

Next, is Dr. Gobeil from the City of Quebec. He is not a physcian or a surgeon, but a Ph.D. from the University of McGill.

The next gentleman I do not need to introduce here in Victoria -- your own Mr. Anscamb.

And, on my right is Mr. Mann, who is the Executive Manager of the Maritime Provinces Transportation Commission. He comes from Moncton, New Brunswick, but originally was from Toronto and is a graduate of the University of Toronto, specializing in Transportation Economics.

On my extreme right is Mr. Platt, from Lethbridge, Alberta, who is a farmer, and who has a Master of Science in the University of Alberta.

I come from the Province of Saskatchewan.

Now, we are delighted to be here in Victoria.
This is the tenth Province in Canada in which the

Commission has held hearings. We have heard many problems. We have had some suggested solutions, and we can only promise you that we will give every consideration to the problems and to the solutions that are suggested.

In the Province of British Columbia, the Province is fortunate in having as Counsel a gentleman who has long experience, Mr. Brazier, and our own Commission Council, Mr. Gordon Cooper, Q.C. of Halifax, and Mr. Cumming, who is the Assistant Council, who comes from the City of Vancouver.

Now, Mr. Brazier, this is your show. We are in your Province.

MR. BRAZIER: Thank you, Mr. Chairman.

Mr. Chairman, I have suggested to the Commission that the Order of Procedure today should commence with Mr. Bonner's statement, and then take the Victoria Chamber of Commerce brief, which is a rather short one, and then go along to the principle brief, that of the Province of British Columbia.

MR. CHAIRMAN: That would be satisfactory.

MR. MAURO: Mr. Chairman and Mr. Brazier, I might say, if there are any people here in the room who are presenting briefs, many of the ^{counsel} have not received copies of either the Victoria Chamber brief or the Vancouver Board of Trade brief. If they are available, Counsel would appreciate seeing them.

THE CHAIRMAN: You know the difficulty in this regard, Mr. Brazier. It is most important that



1 all counsel be furnished with copies of the briefs.

2 MR. BRAZIER: We will do our best to see
3 they all receive copies just as quickly as possible.

4 Mr. Chairman and Members of the Commission,
5 it is my privilege and honour this morning to intro-
6 duce to the Commission the Honourable R.W. Bonner,
7 Q.C., Attorney General and Minister of Industrial
8 Development, Trade, and Commerce for the Province
9 of British Columbia, who will make a brief statement
10 to the Commission and who is present on behalf of the
11 Government of this Province. The Honourable R.W.
12 Bonner.

13 MR. BONNER: Mr. Commissioners, I want to
14 have the records show at this time that accompanying
15 Mr. Brazier, as Provincial Freight Rate counsel, are
16 Professor William Hughs, Chairman of the Transportation
17 Department, Faculty of Commerce, University of British
18 Columbia, and in addition, Mr. J.I. Guest, the
19 Economic Advisor to the Government of British Columbia,
20 Industrial Development, Trade and Commerce.

21 These gentlemen, together with Mr. Brazier,
22 have a substantial responsibility in instigating the
23 main brief, as Mr. Brazier has already indicated to
24 the Commissioners.

25
26
27 I am very pleased on behalf of the Government
28 of British Columbia to welcome the Royal Commission
29 on Transportation to our province. We appreciate
30



1 the complexity of the problem you are charged with
2 investigating and we sincerely hope that your studies
3 and deliberations will contribute measurably to
4 national transportation policy.

5 I will confine my remarks this morning to
6 some general observations on the terms of reference of
7 the Commission and what the Government of British
8 Columbia considers to be the basic objectives of
9 national transportation policy. As you are aware,
10 our submission will be in two parts. Today we will
11 discuss five major problems.

- 12 1. The importance of rail transportation to
13 the economy of British Columbia.
- 14 2. The problem of the "Bridge Subsidy"
- 15 3. The one and one-third rule.
- 16 4. The export grain rates.
- 17 5. Other unremunerative services performed
18 by the railways.

19 At a later date in Ottawa we will make
20 further representations on principles of rate making,
21 allocation of subsidies and such other issues within
22 the terms of reference on which we deem it necessary to
23 express an opinion.

24 I think the members of the Commission are
25 well aware that by the exigencies of geography British
26 Columbia is the most distant province from the
27 industrial heartland of our nation. Historically the
28 Crown colony of British Columbia would enter Con-
29 federation only if a rail link was established with
30 Central Canada. Obviously if British Columbia was to be
subject to Canadian tariff laws and excise tax regulations



1 - cut off from natural markets to the south - then
2 alternative markets would have to be found in Canada.

3 British Columbia is a net importer of domestic
4 freight, a good customer of Eastern Canadian manufacturing
5 industry and Prairie agriculture. We must pay for
6 our manufactured goods and food by selling our basic
7 products on the Prairie and Eastern markets. This has
8 been the development of our domestic trading economy.
9 In one sense, economic integration has been the
10 objective of national policy - that is to say the
11 peripheral regions have been able to participate to
12 a greater or lesser degree in the mass market of
13 Central Canada. B.C. forest products and P.E.I.
14 potatoes have found consistent sales in Ontario and
15 Quebec. To assist the Maritime Provinces a 20 per
16 cent subsidy and recently increased to 30 per cent
17 on all outgoing freight has been provided by the
18 Federal Government. Although British Columbia has had
19 holddowns in recent years on lumber freight rates to
20 Eastern Canada by virtue of U.S. rail competition,
21 we are finding increasing difficulties in marketing
22 lumber in Eastern Canada.

23 For example, while there has been a 70
24 per cent increase in lumber production between 1948
25 and 1958 in our province, shipments to Eastern
26 Canada have only increased by approximately $2\frac{1}{2}$ per
27 cent while the Gross Value of Manufacturing Production
28 doubled in Ontario and Quebec between 1944 and 1955. (1)
29 Our shipments of lumber to the United States have risen
30 recently but plainly any violent fluctuation in the vola-



1 tile American market would have serious repercussions
2 on our economy and that of Canada as a whole.

3 (1) See R.D. Howland, "Some Regional Aspects of
4 Canada's Economic Development,"

5 Royal Commission on Canada's Economic Prospects, 1957.

6 It is therefore essential for the welfare and
7 growth of British Columbia that we enjoy the widest
8 possible participation in our domestic market. The
9 marketing problems of lumber are duplicated to a
10 greater degree by our fruit and vegetable industry.
11 While our lumber mills compete mainly with domestic
12 producers in Eastern Canada our fruit growers face
13 increasing American competition, particularly in the
14 Prairie markets. Fish from British Columbia travels
15 three times as far as fish from the Maritime Provinces
16 which is assisted by a 30 per cent subsidy. In addition,
17 in 1957 only 20.6 per cent of our eastbound trans-
18 continental traffic was eligible for the "Bridge
19 Subsidy." In spite of certain competitive advantages
20 on eastbound transcontinental rates there is a
21 continuous erosion of our central Canadian markets.

22 I mention this to illustrate the problem of a
23 "long-haul" province. The problems of "long-haul"
24 regions are multiplied by horizontal percentage
25 increases. It is a simple mathematical problem that if
26 one shipper pays a \$2.00 rate to a certain market and
27 another shipper pays 50¢, then a horizontal increase
28 of 10% results in a competitive disadvantage to the
29 first shipper of 15¢ per 100 lbs. It is our contention
30



1 that national policy demands the freest possible
2 interchange of goods and services, particularly of
3 basic commodities, within Canada. Any other point
4 of view would balkanize Canada economically.

5 The problem in essence, therefore, is to
6 maintain market relationships within reasonable cost
7 relationships. Our principal basic commodity; namely,
8 lumber, should recieve the benefit of the lowest
9 possible transportation charge consistent with costs
10 since it is essentailly a long-haul, low-cost, high
11 density movement. Our agricultural production, although
12 it is a small percentage of the total agriculture
13 production, of Western Canada, is entitled to the
14 same assistance as other agriculture production in
15 Western Canada.

16 The fruit and vegetable industry of the
17 Interior of British Columbia, particularly in the
18 Okanagan Valley, has not enjoyed the same degree of
19 prosperity that other agricultural producers have
20 experienced to a greater or lesser degree in the
21 post-war period. One of the major problems of our
22 Fruit industry is the long haul to Prairie and Eastern
23 Canadian markets. We strongly urge the Commission to
24 recommend similar assistance to the fruit and vegetable
25 producers of British Columbia that is enjoyed by the
26 agricultural producers of the Atlantic Provinces and
27 which is proposed for the grain producers of the Prairies.

28 There has been a tremendous expansion of manu-
29 facturing production in central Canada in the post-
30



1 war period, protected as it is by our national tariff
2 policies and stimulated by defence spending and paid
3 for by the consumers and taxpayers of the nation.
4 The outer regions are entitled to participate in this
5 mass market. We cannot continue to buy if we do not in
6 turn sell.

7 To overcome the geographical difficulties
8 which affect the Canadian economy so seriously requires
9 the firm hand of national leadership, having due
10 regard for the changes which are taking place in our
11 regional economies. Certainly as our population in-
12 creases and a degree of diversification is developed
13 the need for ingress into Central Canada may become
14 less important. This is, however, not the case today.

15 National policy must change with the times. What
16 is good for Canada and the Province today may be
17 inappropriate tomorrow. At this moment in time it is
18 obvious we must rely on our railways as the basic
19 transportation plant of the nation. They are the
20 lowest cost and most efficient method of moving bulk
21 commodities to market over long distances. Long distance
22 movement of all basic commodities is fundamental to
23 Canadian economic development, in fact just as fundamental
24 as the grain movement is to the economy of Western Canada.
25 Thus the concept which motivated the creation of the Royal
26 Commission, and I refer to Acting Prime Minister Green's
27 statement of November 26th, 1958.

28 "This study will include not only comprehensive
29 consideration of the railway freight rate prob-
30 lems - including the situation of the long
haul provinces in the West and in the Atlantic
region - but also other specific problems
which require solution if Canada's railways are



1 to serve the national interest without
2 prejudicing particular industries or "areas"
3

4 must be developed by the Commission because of the
5 fundamental issues involved.

6 These issues are:

- 7 (1) The rapid development of the most economic
8 and technically efficient rail system.
- 9 (2) The elimination of statutory regional dis-
10 crimination which inhibits west-east move-
11 ment of commodities.
- 12 (3) Relief for such freight traffic which has
13 been bearing an undue burden as a result of
14 public policy.
- 15 (4) The elimination of horizontal percentage
16 increases.
- 17 (5) The establishment of the basic costs of rail
18 movement by major commodities and by route.
- 19 (6) Compensation to the railways for unremunerative
20 services which are in the public interest.
- 21 (7) Co-ordination of transportation services to
22 reduce costs.

23 I should touch briefly on the problem of
24 "other income." There can be no doubt in anyone's
25 mind that grants to railways were necessary to push
26 forward national development. Moreover, in the post
27 World War 11 years the Canadian Pacific Railway has
28 done exceedingly well on the proceeds of Crown Grants.
29 When we realize the forests on the E & N lands are worth
30 over \$100,000,000 we can appreciate the dimensions of
the problem. The question is should these assets be
considered as rail income. In view of the changes in
the grain rates which the railways are asking I think
the time has come for a review of other income. The
Canadian Pacific Railway was a creature of National



1 policy and its role is the same today. The national rail
2 systems cannot be separated from the political and
3 economic development of Canada. It may be that the
4 proceeds from land and minerals acquired as a result of
5 national policies should now be considered as rail in-
6 come.

7 I should also like to comment on the disposi-
8 tion of any subsidy recommended by this Commission to
9 the railways for losses on the movement of export grain
10 or any other unremunerative service.

11 We have heard the propositions of the C.P.R.
12 and C.N.R. that a subsidy be paid into the general
13 revenue of the railways. In short, the railways would
14 be the immediate beneficiaries of the largesse from
15 the public purse - the taxpayers' pocket. What about
16 the shipper who has paid round after round of percentage
17 increases - watching the erosion of his distant markets -
18 because of losses suffered by the railways due to public
19 policy or managerial indiscretion?

20 The Province of British Columbia believes
21 that any subsidy recommended or awarded must take into
22 consideration the "captive" shipper primarily and the
23 "long haul" shipper who has some competitive advantage.
24 Only thus will the full intent of the terms of
25 reference be fulfilled.

26 We insist most emphatically that if a subsidy
27 is recommended by this Commission to compensate the
28 railways for work done in the public interest, then
29 the shippers who have borne an undue burden of freight
30 rates due to the aforementioned losses must receive a



1 downward adjustment in rates.

2 Before closing I would like to say something
3 in respect to the Pacific Great Eastern Railway owned
4 and operated by the people of British Columbia. For
5 many years this railway was held up to ridicule by
6 other railways in Canada as one which started nowhere
7 and ended nowhere. Today it has become an integral part
8 of the rail system of Canada - connecting with the two
9 major Canadian and three American lines at its southern
10 terminal, with the Canadian National at Prince George
11 and the Northern Alberta Railway at Dawson Creek.

12
13 Here, gentlemen, I might direct your attention
14 to a rather large map which has been distributed, I
15 understand, to all, which illustrates graphically,
16 by graph map presentation, the actual connection of
17 this railway. The railway is indicated in red on the
18 map, and the inter-connections are quite apparent as
19 a result of the local study.

20 This railway serves the vast central Interior
21 of our province, famous for cattle raising, lumber and
22 mining and grain farming area of the Peace River
23 District, the centre also of the rapidly developing
24 petroleum industry of North-Eastern British Columbia
25 Not only has the extension of this railway, built
26 on the credit of the people of British Columbia, given
27 a great impetus to the economy of this Province, but I
28 think the following table will convince you that it
29 has been a great benefit to the other railways of
30 Canada.



- 8 -

LOADS DELIVERED TO CONNECTIONS

	North Vancouver C.N.R.	Pr. George C.N.R.	Vancouver C.P.R. G.N.R.	Dawson Cr. N.A.R.	TOTAL To Connec.
1959	1785	13807	8474	264	32,245
1958	4319	6378	8545	7	25,141
1957	2244	5783	8440		18,848
1956		9534	13322		22,856
1955		8077	12098		20,175

LOADS RECEIVED FROM CONNECTIONS

	North Vancouver C.N.R.	Pr. George C.N.R.	Vancouver C.P.R. G.N.R.	Dawson Cr. N.A.R.	TOTAL From Connec.
1959	1711	836	3933	552	7,040
1958	1417	843	4950	18	7,238
1957	2538	678	5479		8,695
1956	77	997	11361		12,732
1955		399	7089		7,488

Source: P.G.E. Traffic Dept.



The bulk of the traffic originating on the Pacific Great Eastern is forest products destined for the United States, Eastern Canada and some to the Prairie Provinces. This is all long haul and lucrative traffic for the Canadian National and the Canadian Pacific Railways.

If a federal subsidy is to be granted to the railways in order to assist the movement of traffic, the Government of British Columbia is of the opinion that the P.G.E. is entitled to share in that subsidy on an equal footing with the C.P.R. and the C.N.R. This should be the case whether the subsidy is granted for specific commodities and movements or for any other purposes such as unremunerative services or a general reduction of rates.

I have endeavoured by these informal remarks to indicate the lines of thought to be developed by our counsel for the consideration of the Commission. I hope most sincerely that our submissions will prove to be helpful. All facilities of the Provincial Government are available to assist your Commission in its studies. May I assure you that your presence in British Columbia is warmly welcomed by all in the Province.

February 22, 1960.

R. W. Bonner, Q.C.



1 THE CHAIRMAN: Thank you very much, Mr. Bonner,
2 for your welcome. We have perused the submission and
3 it represents I would say, a great deal of home work
4 on the part of somebody, and those who prepared it can
5 rest assured that it will be subject to searching
6 examination when the other submission is presented.

7 Now, your submission was merely preliminary,
8 and we thank you for your introduction and for your
9 welcome.

10 MR. CUMMING: I think, Mr. Chairman, in
11 the light of what you have said and the Attorney General's
12 remarks, we understand -- as has been pointed out - that
13 Professor Hughes will be presenting the detailed submission
14 of the province on this part of its case, and will be
15 elaborating on what Mr. Bonner has touched upon, and in
16 the light of that I propose to reserve any questions we
17 might have for Mr. Hughes.

18 MR. HUME: I have no questions, but I would
19 like to thank the Attorney General as the representative
20 of the Government closest to me for the very wonderful
21 weather which we have been enjoying, and which Commissioner
22 Anscomb has assured me is quite normal.

23 THE CHAIRMAN: He has been telling us that right
24 along.

25 MR. DICKSON: May I also thank you for the
26 weather but I don't want that to be taken as any
27 reflection on the Winnipeg weather, but I must say that
28 we did enjoy yesterday.

29 CROSS EXAMINATION BY MR. DICKSON:

30 Q. Mr. Attorney, may I also say that I have
31 read the whole submission of your Government, part one,
32 and I am satisfied that it will make a very real and



1 significant contribution to the work of this Com-
2 mission.

3 There are just one or two points I would like
4 to ask questions on, if I may, by way of clarification,
5 recognizing as others have said, that you will be
6 elaborating on this and there will be further evidence
7 and opportunity for cross examination.

8 On Page 1 of your submission, Mr. Bonner, you
9 speak of the export grain rates and other unremunerative
10 services performed by the railways, and a similar
11 remark appears on page 6.

12 You would recognize, I trust, so far as this
13 Commission is concerned, that the question of whether
14 or not the export grain rates are remunerative is one
15 which is still facing this Commission; one side has
16 been presented and the other side has still to be
17 presented. You recognize that?

18 A. My understanding is that the railways are
19 yet to furnish evidence on this latter point.

20 Q. And the railways have presented certain
21 cost material, and cross-examination on that is still to
22 come?

23 A. Yes.

24 Q. Now, on Page 4 of your submission, the
25 first paragraph on Page 4, you say, "We strongly urge
26 the Commission to recommend similar assistance to the
27 fruit and vegetable producers of British Columbia
28 that is enjoyed by the agricultural producers of the
29 Atlantic Provinces and which is proposed for the grain
30 producers of the Prairies." Now, what do you mean



1 by "and which is proposed for the grain producers of
2 the Prairies"?

3 A. British Columbia has heretofore expressed our
4 views on the low grain rates for the Prairie Provinces,
5 and it may well be that these are best accomplished
6 by a subsidy rather than any other statutory means
7 of holding them down.

8 Q. You do recognize that the Prairie Grain
9 Producers are not asking for anything and they are
10 requesting that the status quo continue; relying on
11 the Crows Nest agreement and the 1925 legislation .

12 A. The submission on behalf of the status quo may, to
13 some in fact, amount to a proposal.

14 Q. But that is the position?

15 A. Yes.

16 Q. Would you also agree that the economic
17 position of the Prairie Grain Producer has not improved
18 over the past few years; in fact, it has deteriorated?

19 A. I am not aware that that point has been
20 examined, but I understand that is a submission.

21 Q. Would you agree that grain falls within the
22 category of the bulk commodities to which you referred
23 at the bottom of Page 4, and basic commodities?

24 A. Unquestionably.

25 Q. And that it is in the national interest to
26 encourage the free movement of commodities such as you
27 mentioned?

28 A. All commodities, including those from
29 British Columbia .
30



1 Q. Quite. Now, on page 5, you mention in
2 item (2) "the elimination of statutory regional dis-
3 crimination which inhibits west-east movement of com-
4 modities." Is that a reference to the one and one third
5 rule?

6 A. It is primarily a reference to the Bridge
7 Subsidy, which we feel has an inhibiting effect.

8 Q. On page 6 you say, "We have heard the
9 propositions of the C.P.R. and C.N.R. that a subsidy
10 be paid into the general revenue of the railways".
11 Are you familiar with the fact that the Canadian Pacific
12 Railway proposal relates to a relief from income tax
13 rather than an outright grant?

14 A. I am not aware of that point. There has
15 been a good deal of public discussion which has been
16 before the Commission, and which has been before the
17 press, and I haven't, frankly, distinguished in my own
18 mind between the two.

19 Q. Will your province be representing itself
20 on this matter of the income tax proposal?

21 A. Yes.

22 Q. Thank you.

23
24 CROSS EXAMINATION BY MR. DOHERTY:

25 Q. If I may, Mr. Bonner, I would appreciate
26 directing a few questions to you for the purposes
27 of clarification on these matters in issue here that I
28 am just not too certain on.

29 On Page 2, Mr. Bonner, where you are referring to
30 the movement of lumber and the fact that while there has been



Bonner cr.-ex
(Doherty)

1 a 70% increase in lumber production, that the actual
2 movement to the east has not been^{as}/substantial as you
3 may have liked.

4 Could you tell me what your position is
5 with respect to shipping lumber to Saskatchewan; has
6 the movement there been substantial?

7 MR. BRAZIER: These figures Mr. Doherty, will
8 all be presented in the British Columbia brief or by
9 the Lumber Associations, I think. I don't think that
10 the Attorney General would have any knowledge of
11 actual shipments.

12 THE CHAIRMAN: I think, Mr. Brazier, your
13 submission is quite complete and covers the whole
14 waterfront.

15 MR. BRAZIER: We do hope to make it so.

16 MR. DOHERTY: Q. On Page 3, where you are referring to
17 the fact that only 20.6 per cent of your east-bound
18 transcontinental traffic was eligible for the bridge
19 subsidy, and what are your reasons for that? Can you
20 indicate the reasons why only 20.6 per cent is covered?

21 A. Simply the nature of the traffic; it
22 either qualifies or it doesn't, and we had only 20 per
23 cent which qualified.

24 Q. It would be, perhaps, an agreed charge
25 or non-competitive rates?

26 A. Something like that, yes.

27 Q. So that if that traffic had all been
28 moving at, say, class rates, it would have been
29 eligible for the bridge subsidy?

30 A. Yes, that would be correct.



1 MR. BRAZIER: The rates would be so high that
2 nothing would move.

3 MR. DOHERTY: Q. Would you not agree there is some advantage
4 in the type of movement that you did have; that was a
5 better rate than would be the class rate?

6 A. I think in our submission we will show
7 that our situation will be much improved by the elimina-
8 tion of the bridge subsidy and a totally different
9 approach; that is the point we intend to develop later.

10 Q. In that same paragraph you refer to
11 certain competitive advantages; what would those
12 advantages be?

13 A. Well, ordinarily we would have the
14 advantage of transcontinental rates, which are dictated
15 in a large measure by sea traffic and American com-
16 petition, which would be open to us by way of alternate
17 rates and shipments.

18 Q. Those are certain advantages?

19 A. That is right.

20 Q. Now, at the bottom of Page 3 you use
21 the expression, "the same assistance as other agriculture
22 production in Western Canada," and the whole sentence
23 reads, "Our agricultural production, although it is a
24 small percentage of the total agricultural production
25 of Western Canada, is entitled to the same assistance
26 as other agricultural production in Western Canada."
27 What have you reference to there?

28 A. We have in mind the actual assistance
29 afforded the grain traffic by a variety of historical
30



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1 facts, and agriculture is agriculture whether it is
2 grain or apples, and we would like to see the situation
3 totally equated and not single out grain, if that^{is}/to be
4 put forward in the national interest.

5 Q. You use the same expression on Page 4
6 and I believe Mr. Dixon mentioned it-- "similar assis-
7 tance"?

8 A. Yes.

9 Q. When you are speaking of the average
10 movement, are you speaking of it moving internally; the
11 domestic movement?

12 A. Yes.

13 Q. And you are comparing that against the
14 export position of grain, is that correct?

15 A. It is the comparison used.

16 Q. And you are suggesting, then, are you,
17 that the free movement to the domestic market should have
18 the same type of assistance as the grain moving
19 to export market?

20 A. Our point there is that agricultural
21 commodities should be given the highest degree of
22 fluidity in the country, because across the country
23 there is a tremendous and serious amount of competition
24 from American Producers who have the advantage of
25 season against us. We have to give the agricultural
26 people a break in our own markets to the greatest
27 possible extent. That is the basic plan involved.

28 Q. Did you have in mind, in making that
29 statement, that the grain moving to the west calls
30 for domestic consumption and that it^{would}/move at domestic



1 rates.

2 MR. BRAZIER: No, I don't think so.

3 MR. DOHERTY: Q. I am sorry, I didn't get your answer.

4 A. The answer is no.

5 Q. On Page 6 you say, " It may be that the
6 proceeds from land and minerals acquired as the result
7 of national policies should now be considered as rail
8 income."

9 You are suggesting, I take it, that the
10 Commission should give consideration to these assets;
11 you are not making any definite recommendation, are you?

12 A. I think the examination is entirely
13 appropriate at this time because of the suggestion of
14 compensation for so-called unremunerative service which
15 may be performed in the national interest.

16 The land grants were given to get the railways
17 under way, and it may be that in considering the
18 problem of from what source these unremunerative rates
19 should be initially compensated, that these land grants
20 and the income from them should be taken first into
21 account. I don't think we are offering a categorical
22 answer to the question, but it is one on which we
23 believe fresh review should take place.

24 Q. And you are speaking there only from
25 the proceeds of land and minerals; there are other
26 assets too, of course, and have you taken a position
27 with respect to those or will that be dealt with later?

28 A. It will be dealt with later, but basically
29 the problem is this; the land grants were given for a
30



1 specific objective, and the fact that the railways
2 may have gone into other business subsequently was a
3 situation which was made possible by the subsequent
4 profit, but not necessarily in contemplation of the
5 original grants and if there is a logical line of
6 distinction I think it has to be in recognition of
7 those two situations.

8 Q. May I just ask one further question on
9 the disposition of the subsidy. As I understand the
10 recommendation here, the suggestion is that when and
11 if the subsidy is given, that the amount of the subsidy
12 be used for the purpose of reducing rates, and
13 to the people who have borne an undue burden. Do you
14 have in mind that the whole subsidy be used for that
15 purpose?

16 A. No, but I think the purpose of the
17 subsidy - in fact, the only justification for giving
18 a subsidy in the first place is to achieve some national
19 policy and some policy which involves equity to shippers.

20 I don't think that it is a subsidy granted
21 simply to prosper the railways in respect of their
22 general difficulties, of which there are a great
23 number, and if it is to be established -- and I think
24 it may be - that in the immediately preceding years
25 that a small portion of traffic originating on the line
26 has nevertheless borne the major portion of these
27 horizontal increases, and for that reason I think that
28 any national subsidy has to take that basic fact into
29 account, and rather than leave a subsidy simply to the
30



1 generous application of the railways I think that the
2 subsidy has to be offered by the Government of Canada
3 with certain specific objectives in mind in
4 which the fortunes of the railway would be significant.

5 Q. Would you have in mind that that would
6 be a statutory provision?

7 A. Well, there are a variety of mechanics
8 to work it out, and it may be that that could be best
9 carried out under a statute, but I think that would
10 prove to be inflexible, however, and I would rather
11 see a subsidy applied as a result of some equity and
12 perhaps from year to year measured over a period
13 of years to restore the equity to the total picture,
14 and I am certain that the Parliament of Canada in
15 session can deliberate on this and decide on it
16 expeditiously just where the subsidy should apply.
17 If it is to be granted, Parliament should spell it out
18 and the Board of Transport Commissioners should be
19 empowered to put it into effect.

20 In other words, I don't like to suggest that
21 we put it, hard and fast, into a statute, because I
22 don't believe that statutory provisions, other than
23 objectives, can be usefully spelled out.

24 Q. You would think there should be a certain
25 amount of flexibility in it.

26 A. I believe so, yes.

27 Q. Thank you.

28 MR. FRAWLEY: I have no questions.
29
30



1 CROSS EXAMINATION BY MR. MAURO:

2 Mr. Minister, my name is Arthur Mauro and
3 I represent the Province of Manitoba.

4 On Page 3, Mr. Minister, in the first complete
5 paragraph, you say, "Fish in British Columbia travels
6 three times as far as fish / ^{from} the Maritime Provinces
7 which is ~~assisted~~ by a 30 per cent subsidy."

8 Now, Mr. Minister, as you know the Province
9 of Manitoba have a small but important fish industry
10 for this province and it is 1,400 miles closer to
11 central Canada than British Columbia, and our rates
12 are still higher than British Columbia, and I wondered
13 whether in a truly equitable approach to this problem
14 that the Province of British Columbia would strongly
15 endorse the position, which also recognizes the
16 inequity in the present rate structure which imposes
17 this higher rate on Manitoba?



1 MR. BRAZIER: I think that, probably, we
2 would take that position if we were satisfied that the
3 Eastern Canadian Market was important to the Manitoba
4 Fisheries, that we are far from satisfied that it is
5 important, and that you can sell your fish elsewhere.

6 MR. MAURO: Assuming we should decide whether
7 it is important for us -- and I think the Premier of
8 Manitoba told Mr. Brazier how important it was to us --
9 and if it is, I take it from what Mr. Brazier said
10 that British Columbia would support the position of
11 Manitoba?

12 A. I take it we have certain factual
13 reservations, ^{but} we are not going to ask for equity our-
14 selves and deny it to others.

15 Q. Then, on Page 4, the first complete
16 paragraph:

17 "We strongly urge the Commission to recom-
18 mend similar assistance to the fruit and vegetable
19 producers of British Columbia that is enjoyed by the
20 agricultural producers of the Atlantic Provinces and
21 which is proposed for the grain producers of the Prairies"

22 Would British Columbia recommend that the
23 present export rates on grain be made applicable to
24 domestic movement of grain?

25 MR. SINCLAIR: I would not say that matter
26 is within the terms of reference, is it?

27 MR. MAURO: I don't agree with that statement.
28 I don't think there is anything within the
29 terms of reference that denies this Commission the
30 right to consider what the Honourable Attorney General



1 has suggested.

2 THE CHAIRMAN: All you are asking is his
3 opinion.

4 MR. MAURO: And to try and clarify this
5 paragraph.

6 THE WITNESS: Our position is, British Columbia
7 has only one objection to the domestic grain rates on
8 grain coming to our Province. How far we can reconcile
9 that objection with the facts of the matter will have
10 to be left to more detailed examination.

11 Q. What you are suggesting here is that
12 the present export rates on grain, or something similar
13 to that, be applied to the ^{domestic} movement of fruit and veg-
14 tables?

15 A. Something approaching that.

16 Q. I wonder if you would have your advisers
17 submit, at some later date some rates on fruit and
18 vegetables to U.S. destinations with rates to Canadian
19 points of comparable mileage?

20 A. Yes, we will be glad to do that. I
21 think we have had this material before previous inquiries.

22 Q. On Page 6, Mr. Minister, the third
23 complete paragraph:

24 "The Province of British Columbia believe
25 that any subsidy recommended or awarded must take into
26 consideration the 'captive' shipper primarily and the
27 'long-haul' shipper who has some competitive advantage."

28 I wonder if you would mind clarifying and
29 expanding that?

30 By "captive" I assume you mean the class and



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1 non competitive commodity rates?

2 A. Yes, that is basically the case.

3 Q. And then you move on to the long-haul
4 shipper who has some competitive advantage: I wondered
5 what you meant by that?

6 A. We have had some advantage shipping
7 when we take into account the trans continental rates,
8 but the whole situation has not redounded to our ad-
9 vantage. It is involved in the submission which we
10 intend to make later involving the cost-of-service
11 principle in rate making, and we believe this principle
12 if we can define it sufficiently, has not been taken into
13 account to our advantage as a long haul shipper.

14 Q. Rather than actual competitive rates
15 themselves, sort of based on a cost-of-service basis?

16 A. Basically so, yes.

17 Q. You would not suggest that an agreed
18 charge such as 95¢ on skelp from Hamilton to Vancouver
19 should receive a subsidy?

20 A. No, I don't think so.

21 Q. This has caused a little difficulty
22 Mr. Minister, because we can certainly understand and
23 endorse assistance to captive traffic which has been
24 taking the brunt of the horizontal increases, but we
25 were somewhat disturbed by the long haul shipper who
26 has some competitive advantage.

27 MR. BRAZIER: I think, Mr. Chairman and
28 Members of the Commission, I could point out to Mr.
29 Mauro that lumber being shipped from the Coast to
30



1 Toronto and Montreal markets does enjoy a competitive
2 rate , competitive with the American rate from Seattle
3 and Portland. That gives us a rate somewhat lower than
4 the normal rate we would pay were it not for that
5 competition. It still does not give us a sufficiently
6 low rate that we are able to sell as much lumber as
7 we would like to sell in the Eastern market.

8 MR. MAURO: I think, for those of us from
9 the Prairie Provinces, it would be interesting - and
10 I assume at this later date - to see the application
11 of this cost of service principle on either competitive
12 rates, and to have defined for us those traffics which
13 are listed under a shipper who has some competitive
14 advantage.

15 THE CHAIRMAN: In your main submission, you
16 cover all this in detail?

17 MR. BRAZIER: Yes.

18 MR. MAURO: I wonder, Mr. Minister, for
19 information please, if you could tell me the three
20 American lines that the P.G.E. joins up with?

21 A. Milwaukee; Great Northern; and Union
22 Pacific.

23 Q. And could you tell me whether those
24 lines are listed on Page 8?

25 A. No, they are not.

26 Q. Is there any traffic going from the
27 P.G.E. down to the American Lines?

28 A. Yes, a considerable traffic.

29 Q. Will this scale on Page 8 be completed?
30



1 A. These were scales intended to show
2 our domestic situation; not the international situation.
3 I am sure we can furnish the information if you wish
4 it.

5 Q. Yes, it may be interesting to show
6 us this competitive position.

7 A. Yes, we will prepare a subsequent
8 memorandum.

9
10 CROSS EXAMINATION BY MR. SINCLAIR:

11 Q. Mr. Attorney General, my name is
12 Ian Sinclair and I represent Canadian Pacific, and
13 I am not at all confused even though I am basking in
14 the beautiful weather of Victoria.

15 First of all, I would like to ask if you
16 would look at Page 4 of your submission where you say:

17 "At this moment in time it is obvious
18 we must rely on our railways as the basic transportation
19 plant of the nation."

20 You would agree that railways must be maintained
21 in a financially sound position to provide essential
22 transportation service to Canada?

23 A. Certainly, railways have formed the
24 basic transportation service of the country.

25 Q. And to do so they must be financially
26 sound?

27 A. One way or another.

28 Q. And in your recommendations to this
29 Commission, and in those they make pursuant to the
30



1 direction of the order in Council, the financial
2 stability of the railways must be a major factor in
3 their considerations, to a degree?

4 A. Yes, you cannot discuss it without
5 taking that point into consideration.

6 Q. At the top of Page 4, that paragraph
7 that so many of my friends have asked you about, is
8 it the suggestion of British Columbia that the farmers
9 of the Okanagan pay the freight charges on their ship-
10 ments to the Prairies?

11 A. I am sorry; would you rephrase your
12 question? I am not certain of the point you are trying
13 to get at?

14 Q. I am trying to ascertain whether it
15 is the position of the Government of British Columbia
16 that shippers in the Okanagan pay the freight on goods
17 shipped to the Prairies?

18 A. Well, that is a point on which I
19 think there is disagreement. I believe the fruit
20 producers are going to make a brief presentation to
21 the Commission to deal with that point specifically.

22 Q. If they don't pay the freight, then,
23 obviously, your suggestion here about having some type
24 of transportation here would not be applicable?

25 A. I think you get into an argument on
26 semantics when you ask who pays the freight.

27 Q. I do know this, and so does the Com-
28 mission, that it has been suggested to this Commission
29 in the Prairie Provinces that they pay freight on
30



1 everything they ship and everything they receive.
2 Now, If somebody from British Columbia is going to
3 suggest that the people in the Okanagan also pay the
4 freight, I just want you and the Commission to know
5 that the railway only gets paid once.

6 A. I had no illusion that the railway
7 only gets paid once. I had no illusion you were collect-
8 ing twice. It is a question of who bears the burden
9 and it is paid by someone.

10 Q. Would you agree that freight shippers
11 in the Okanagan do not pay the freight?

12 A. I think it may be argued that they
13 take a lesser return in acknowledgement of the freight
14 charge.

15 Q. That is the same as paying the freight?

16 A. Yes, I think so.

17 Q. Then, you would not agree that people
18 in the Prairies pay the freight on the apples, peaches
19 and cherries and other fruit they get from the Okanagan?

20 A. I think that is a point intended to be
21 humorous rather than useful.

22 Q. No, it was put forward not in a humorous
23 way, but in a factual way to this Commission.

24 A. Counsel has directed my attention to
25 an extract from the report of Royal Commission on the
26 tree fruits industry held in this Province and concluded
27 in 1958. I realize the point which Mr. Sinclair is
28 trying to make, and I think the Commissioner's view
29 on this may be read into the record usefully.
30



1 "Some growers urged that B.C. Tree Fruits
2 should establish its own system to the Prairies. This
3 would be economic today, only if some return load could
4 be assured but if further increases are allowed for
5 rail transport, the Board of Governors should review this
6 possibility promptly. B.C. Tree Fruits cannot afford an
7 increase of the type proposed by the railroads. The
8 requested increase would amount to 14 to 20 cents in
9 the major markets for British Columbia tree fruits,
10 and in view of the competitive situation described in
11 an earlier chapter, it is likely that this increase would
12 be deducted from the present income of the grower."

13 That was the point I was trying to make,
14 Mr. Sinclair, as to who bears the rate.

15 " This would go far to destroying the industry.
16 The Commissioner strongly urges the Industry and the
17 Provincial Government to make more vigorous representations
18 for the exemption of this industry from further rate
19 increases on British Columbia tree fruits to points
20 east of the growing areas of Penticton and Kelowna".

21 That is basically our view here. That is a
22 problem we wish to point out. Whether we can agree on
23 the semantics of that ---

24 MR. BRAZIER: For your information, Mr. Sinclair,
25 that quotation is from Page 489 of the Commissioner's
26 report.

27 MR. SINCLAIR: Mr. Attorney General, the
28 fact is this, that the competition in the Prairie
29 market for fruit and vegetables from the Okanagan and
30



1 lower mainland was from the United States?

2 A. Yes, there is serious competition.

3 Q. And there is a customs tariff to
4 protect the Canadian market for these B.C. shippers?

5 A. I am not certain how effective that is.

6 Q. But there is a customs tariff?

7 A. Factually there is a tariff, no doubt
8 with that question in mind, but I question its efficiency.

9 Q. It may be that that tariff requires
10 revision for further protection under the existing
11 circumstances of the Okanagan shipper; is that your
12 suggestion too?

13 A. I suggest there is something wrong
14 in the situation of rates which makes it possible for
15 us to ship fruit into a state south of Manitoba and
16 have it trucked back into Winnipeg cheaper than we
17 can ship it directly to Winnipeg.

18 Q. Did you know - and I am instructed
19 this is a fact - that rates into Prairie points from
20 Okanagan points are favourable for the shipment against
21 competition, leaving aside any tariff?

22 A. I think Tree Fruits will express themselves
23 more usefully on that point.

24 Q. What I am suggesting to you is that in
25 relation to the first paragraph on Page 4 of your
26 submission, in the last sentence thereof, that there
27 are differences in the situation in regard to the
28 tree fruit industry of British Columbia and the export
29 grain industry of Western Canada: you would agree with
30 that -- major differences between those two industries?



1 A. I believe you can draw distinctions
2 between them, yes.

3 Q. Mr. Attorney General, on Page 5 you
4 list the issues. Some of my friends have asked you about
5 issue No. 2 and you have explained the view on that.
6 Issue No. 4, the elimination of horizontal percentage
7 increases; Any alternative, I take it, will be subject
8 to a particular submission?

9 A. That is correct, Yes.

10 Q. You stated in your submission that
11 land grants were made to get the railways under way;
12 that was my note of your answer this morning, and on
13 Page 5 you say:

14 "...grants to railways were necessary to
15 push forward national development."

16 Would you agree that land grants were necessary
17 as a consideration moving from the Crown to private
18 enterprise to enable private enterprise to accept the
19 risks involved in building railways?

20 A. I believe that was seriously the view
21 of the Governments of the day, but in relation to the
22 land grants on Vancouver Island, the benefit accruing
23 to the company for the sale of timber alone is about
24 three times the initial investment, and was at an
25 early date of its history. All I am saying is, that
26 whereas it was a fact that the Governments of the day
27 felt no doubt on proper ground that they had to bonus
28 the railways to get them underway, the bonuses involved
29 were substantially greater than the risk turned out
30



1 to be.

2 Q. In other words, what you are suggesting
3 is that the people having earned these grants by
4 completing their contracts, nevertheless that those
5 contracts are to be renegotiated notwithstanding the
6 fact that they were fully discharged?

7 A. It is not a question of renegotiating
8 anything. It is a question of whether or not the
9 other income arising through these grants should be
10 taken into account in connection with rail rate-making/
structures

11 Q. But if they were the absolute property
12 of the people who acquired them by undertaking the
13 risks, to use them for a purpose such as reducing
14 freight rates rather than for the purposes of the
15 people that owned them, that would be a renegotiation
16 of them, wouldn't it, Mr. Attorney General?

17 A. When the Board of Transport Commissioners
18 decided initially not to take other income into account,
19 I don't think they renegotiated anything. I think
20 they thought they were reconstruing the situation
21 at that time. Whether that is correct or not, in view
22 of the present plight of the railways, I think is
23 a proper question for review.

24 Q. It would not be the position of the
25 Government of British Columbia that property of a
26 citizen should be confiscated without due compensation?

27 A. I don't think we are discussing com-
28 pensations for expropriation at this point.

29 Q. I would like to know if you don't mind;
30 could you assist the Commission by telling them whether



1 the position of your Government would be that there
2 would be no confiscation of property without due
3 compensation?

4 A. I believe the Commissioners may take
5 judicial notice of the statutes of this Province
6 which provide for compensation.

7 Q. And you would not support any legislation
8 or action that had the effect of confiscation without
9 compensation?

10 A. No.

11 Q. Or acquisition without compensation
12 or, in fact, confiscation of property?

13 A. No; that is a repugnant principle.

14 Q. We would have a number of questions
15 to correct those that are responsible for your full
16 submission, and I do say, along with some of my friends,
17 that I have had an opportunity of reading it, but
18 maybe not as closely as I should have, and I must say
19 there are a number of matters in there that the railways
20 agree with you on, and a number of matters where they
21 find it difficult to follow the same course.

22 However, I do thank you.

23 BY MR. GOBEIL:

24 Q. Mr. Minister, in a reference to a question
25 asked by Mr. Doherty, you answered that if a subsidy
26 is given for grain to the railways that such subsidy
27 should not be put in the general funds of the railways
28 but that it should be applied to reduce or eliminate
29 some other burden?
30



1 have to roll that thing to achieve the equitable
2 result I have in mind, and to roll it back two or
3 three times may not, in fact, produce a substantial
4 improvement, and I think you have to be more than
5 automatic in the roll backs to achieve the equity in,
6 say, 1960.



1 BY MR. ANSCOMB:

2 Mr. Minister, I just want to ask you a couple
3 of questions with principle involved. The first one is
4 not principle, but I think perhaps you should clear
5 it up, and that is, when you talk about the C.P.R. timber
6 grants on Vancouver Island, the C.P.R. did not get any
7 timber grants; they were the Dunsmere Trust. The C.P.R.
8 simply bought out a railway; didn't they?

9 A. I agree. As a matter of fact, Mr. Commissioner,
10 we are both familiar with the history in which these
11 grants were initially conveyed by the National Government,
12 and subsequently by the National Government to the
13 promoters of the local railway, and the local railway,
14 in due course, became a subsidiary of the C.P.R.

15 Q. As long as it is clear, that is all.

16 The other one is a question of principle which
17 is causing me a lot of concern anyway, whether you were
18 here or not, and that is; you now say and you use three
19 words which may take you right out of the wilderness,
20 and you say; "It may be that these lands and mineral
21 revenues should be used for rail income".

22 Will you tell me what you think, or how you
23 think there is any difference in principle in the National
24 Government of that day giving the Canadian Pacific, or
25 anybody else who was willing to build a railway, certain
26 lands, as long as they constructed rail to the Pacific
27 Coast, they gave them so much land. Is there no difference
28 in principle in the same and successive Governments giving
29 thousands of settlers a free homestead, as long as they
30 work so many days a year on that homestead, ^{and} they finally



1 got title? What difference is there in principle in
2 the two cases?

3 A. I'm not certain that I can confine this
4 to principle, but in giving free homesteads to settlers
5 the object was to build up the country with people. In
6 giving grants to the railway, it was to serve that
7 initial problem -- to serve the settlers, in other words,
8 who were located.

9 Q. I agree with that.

10 A. Whether or not it is correct for the
11 railway to receive what is in effect an endowment, go
12 into business, and ignore the income from the endowment
13 is the question I pose in that remark.

14 Q. But you would not suggest, would you,
15 and I am asking you, as the Minister of the Crown, you
16 would not suggest because I got a homestead for virtually
17 nothing -- I contributed something; I had to work so many
18 days or so many months, whatever it is, and my friend
19 from Lethbridge would tell me -- and that land, 50 years
20 later, was valuable, you wouldn't expect me to make some
21 contribution because I got something for nothing when,
22 half a century later, it was worth something?

23 A. No, I wouldn't.

24 Q. In other words, there is a difference
25 between the two problems in your mind?

26 A. Yes.

27 Q. May I take you to Page 6, We are continually
28 hearing, "the work done by the railways in the public
29 interest".

30 I haven't yet found anybody, in five months of



1 sitting, who can define the "public interest", but
2 I will get it presently, perhaps. But you do say,
3 and you say it pretty clearly, and my colleague Mr.
4 Gobeil, has put it to you, too, that if the nation
5 is going to give a subsidy -- never mind what the
6 subsidy is for, whether it is loss of passenger revenue,
7 anybody else's revenue -- in this case, it seems to be
8 Crown Revenue -- if there is any loss, when that is
9 analysed, then you want an adjustment of rates to the
10 people who are supposed to have paid too much.

11 Let's presume they have. I am not arguing that,
12 though. I am simply putting this question to you.
13 How can you reconcile that position when we are faced
14 at the moment, or the Commission is faced at the moment
15 with the problem of dealing with the railway problem
16 across the nation; one railway lost a considerable
17 amount of money in 1958, and about the same in 1959,
18 so I am told; and the other one, with a couple of
19 billion dollars invested, made about one or one and a
20 half percent on its investment. If you are going to
21 give twenty or forty million dollars in a subsidy, how
22 much more are you going to solve the railways' problem
23 if you immediately give that twenty or forty million
24 back to rates -- rates to somebody else.

25 Aren't the railways on Thursday in one bad
26 plight, and on Friday still in the same plight, despite
27 the fact the nation has been assessed by the public
28 themselves, with this amount of money, presumably to
29 be out of trouble. They wouldn't be here unless they
30 were in trouble.



1 A. I think the question raised here is the
2 sufficiency or over-sufficiency of the railway plant
3 of the country.

4 When in your previous question you ask me
5 to distinguish between the situation of the private
6 settler and that of the railway, I must go back to say
7 that I regard the railways, whether or not one may be
8 private property, as essentially a sinew without which
9 the country cannot exist.

10 Now, whether it is under private ownership or
11 public ownership is not immediately material; if you
12 take that point of view, if private people had not
13 come in to put in the C.P.R., I am quite certain some
14 other means would have been secured to have that
15 basic sinew put in the country.

16 Q. If it had not, you and I wouldn't be
17 here this morning.

18 A. Well, I have the impression that this
19 country would have gone ahead in spite of that.

20 Q. I don't mean that. We might be a Crown
21 Colony, or you and I might be in Portland?

22 A. The likelihood is that the economy of
23 the country would have been served north and south,
24 instead of east and west. I agree with that. The
25 basic fact is the country as a political unit cannot
26 exist without this railway being here. As to the application
27 of subsidy, in the terms of your question, Mr. Commissioner,
28 I think no answer is possible unless we go behind it to
29 inquire into the sufficiency or over-sufficiency of the
30 railway capital in the country, and I don't think we have



1 to be too sentimental about it. The fact we are dealing
2 on one hand with a public owned railway system and on
3 the other hand with a privately owned railway introduces
4 conceptions which are less important than whether or
5 not the railway plant serves the country as a whole.
6 And it may well be that elements of the C.N.R. should
7 be sold to C.P.R. to form a good and basic railway system,
8 and certain elements of the C.P.R. should be discarded
9 to secure that.

10 It is entirely argumentative in my mind that we
11 can separate the two lines. In other words, we have
12 competing situations where there should be one. Then,
13 therefore, I find it difficult to be categorical about
14 the reply. I only raise ^{it} / in this connection, that as
15 long as we acknowledge that long haul transport is
16 going to be a basic problem in this country, I don't
17 think we should be sentimental about the fact that one
18 railway is private and the other is public.

19 I believe the object of the National Government
20 should be to secure a useful railway system, even if it
21 means a melting of the two. Once those two are melted
22 or organized for their ultimate efficiency, which I
23 think should be one of the objectives of national railway
24 policies, then I think the problem of subsidy sensibly
25 within that altered framework is more usefully approached.
26 I don't think we can separate the two.

27 THE CHAIRMAN: Mr. Bonner, everything you just
28 said indicates the complexity of this problem, and the job
29 this poor Commission has to do.

30 Thank you very much, Mr. Bonner.



1 THE WITNESS: Thank you, Mr. Chairman. I
2 must say I do acknowledge the complexity of your problem,
3 and I hope that I have not indicated otherwise at any
4 time.

5 THE CHAIRMAN: Thank you, Mr. Bonner.

6 I think we will have a break now for five
7 minutes

8 ---A short recess---

9
10 THE CHAIRMAN: Order, please, gentlemen.

11 All right, Mr. Brazier.

12 MR. BRAZIER: Mr. Chairman, the next brief is
13 to be presented on behalf of the Victoria Chamber of
14 Commerce. I have with me here today Mr. Fred Hawes,
15 a past President of the Victoria Chamber of Commerce,
16 and at the present time a Director of the Chamber.

17 And with him is Mr. Carpenter, the Manager of
18 the Chamber, formerly Assistant Manager of the Winnipeg
19 Chamber of Commerce.

20 Mr. Hawes will make a few introductory remarks,
21 and Mr. Carpenter will then read the brief, with your
22 permission, Mr. Chairman, and Mr. Hawes will answer any
23 questions that Council may wish to put.

24 THE CHAIRMAN: Very well, Mr. Hawes.

25 FRED HAWES CALLED:

26 MR. HAWES: Mr. Chairman, on behalf of the
27 Victoria Chamber of Commerce, may I express our appreciation
28 for having the opportunity of presenting this short
29 brief today.
30



1 You will notice as we go along that we have
2 not gone into massive tables and so on. I think the
3 Province has pretty well covered these comparative
4 schedules and statements, and, as an example, looking
5 around the room today, I notice that there are
6 a number of gentlemen here that were in attendance
7 at the Board of Transport Commissioners a few years
8 ago when we were obliged to take up the fight for
9 Victoria due to the losing of parity with the
10 mainland at B.C.

11 You will remember -- at least some of us
12 will remember -- that we had parity on class rates
13 to Victoria for some fifty years prior to a few
14 years ago. At that time, we were successful --
15 partly successful -- in getting a little break
16 by the granting of two miles for one on the distance
17 from Vancouver to Victoria. This, of course,
18 assisted us to some extent on class rates, but
19 we still have a real problem facing the City of
20 Victoria and most of Vancouver Island.



1 Victoria has a tremendous problem in trying
2 to attract and hold industry. By reason of our
3 very desirable climate, of course, we are annually
4 going to receive an increase in population, and we
5 are having that. It is increasing tremendously,
6 even without major industries.

7 However, a few years ago we lost one of
8 our largest industries to the Mainland, and there
9 are rumours around that we possibly will lose another.

10 Now, this increased population to us as
11 businessmen in Victoria, offers a real problem
12 and that is, the transport and movement of materials
13 to and from this area, and we have to think about
14 looking after our growing families that are bound
15 to come along through our annual increase in population.

16 Now, the Chamber's brief is small and
17 points out the problems we are confronted with.
18 There are five points and there is one major recom-
19 mendation which you will hear about as the brief
20 is read, and along with that there are a number of
21 secondary recommendations.

22 At this time I will ask Mr. John Coppinger
23 to read the brief.

24 THE CHAIRMAN: Thank you, Mr. Hawes.

25 MR. COPPINGER: To the Chairman and Members
26 of the Royal Commission of Transportation.

27 The Victoria Chamber of Commerce is an
28 association of business and professional people of
29 Victoria numbering some eight hundred individual
30 members representing approximately five hundred and



1 twenty-five business firms and professional offices
2 located in the metropolitan area.

3 2. Situated as Victoria is on an island, this
4 Chamber has long been vitally concerned in trans-
5 portation matters. It is no less true today than
6 it was one hundred years ago that transportation is
7 vital to our economic life. The agrarian activities
8 of our people do not produce sufficient food for those
9 on the island, and it therefore follows that much of
10 the food, clothing, and the other necessities of life
11 which we all use and enjoy must be brought in from
12 a variety of other places. We are equally interested
13 in the provision of proper transportation facilities
14 for traffic moving away from the island as to quote
15 an example, our forest industries must move well over
16 90% of their production to other markets.

17 DISCRIMINATORY FREIGHT RATE INCREASES

18 3. Since the end of the war, the railways have
19 been confronted by an ever increasing level of costs in
20 every area of their operations. In order to maintain
21 profitable operations, the railways have been forced
22 to apply to the Board of Transport Commissioners for
23 a succession of freight rate increases. These ap-
24 plications have met with varying degrees of success,
25 but in each case where an increase was granted, it has
26 been applied by the horizontal percentage method.

27 4. This in itself does not appear to have been
28 an unqualified success from the railways' point of
29 view, as having won authority to increase rates by a
30 specified percentage, they must reach decisions



1 as to which rates can be raised by the maximum,
2 which can be raised by some lesser percentage, and
3 which cannot be raised at all. In some instances this
4 process has become a case of trial and error, in which
5 the railways have discovered through experience, that
6 too large an increase was put into effect in the
7 first instance, and that some modification is called
8 for in order to retain the traffic.

9 5. Broadly speaking, it is the captive traffic
10 (which cannot readily be moved by other means by
11 virtue of such reasons as bulk, weight, or geographic
12 location) that is generally assigned the maximum
13 rate of increase. Traffic which is held by the
14 railways on a highly competitive basis may be adjudged
15 as being incapable of taking any increase. In between
16 is the traffic which the railways in their wisdom
17 believe can be increased by some lesser than maximum
18 percentage, or on which the rates are subject to
19 negotiation between the carriers and the shipper(s).

20 6. It has been found that a relatively large
21 proportion of the B.C. traffic is of captive nature,
22 and therefore subjected to maximum or near maximum
23 rate increases. Because of this, and the fact
24 that we in British Columbia are at one end of the
25 line, our people have been hard hit by the series
26 of horizontal rate increases over the past twelve
27 or thirteen years. As has been made abundantly
28 clear by the opposition of all provinces, save
29 Ontario and Quebec, this particular factor has
30 worked the greatest hardship on those located furthest



1 from the central points of manufacturing and distrib-
2 bution.

3 7. Not only has this series of rate increases
4 discriminated against those whose traffic must move the
5 greatest distances, it has also brought the level of
6 rates for those same people up beyond what it should
7 have been had a non-discriminatory or less dis-
8 criminatory method of effecting rate increases
9 been used.

10 8. It is our belief that the primary responsi-
11 bility of this Commission is to devise a non-dis-
12 criminatory method of imposing freight rate increases,
13 and to adjust the level of freight rates to remove the
14 discrimination brought about by the continued use of
15 the horizontal percentage increase method.

16 CROWS' NEST PASS RATES

17 9. The Victoria Chamber of Commerce is of the
18 opinion that this Commission should look into the
19 matter of the Crow rates, which are stated by the
20 railways to be a major factor in their financial
21 plight.

22 10. Parliament has retained control over the
23 statutory grain rates, and apparently has held the
24 rates at their present levels as a matter of
25 national policy for the purpose of assisting the grain
26 farmer to dispose of his crops in a highly competitive
27 world market.

28 11. The railways have stated that these rates
29 are unremunerative to the point where they do not
30 return even the direct out-of-pocket operating costs,
let alone contribute anything to overhead expense.
If the railways are to be allowed to earn a fair



profit on operations, this means that other rates must be set at a level which will be not only compensatory in themselves, but which will provide a margin to make up the losses on the movement of grain and flour under the Crow rates. In this situation, those who ship goods other than under the Crow rates are in effect subsidizing the movement of export grain, and as transportation costs must inevitably be recovered from the consumer in the long run, this means that the Canadian consumer is providing this subsidy in accordance with his own need for and usage of rail transportation.

12. We consider that this is indeed an unusual way to arrange a subsidy. In reality it is closely akin to a tax, though it seems indefensible as such, being unrelated to either ability to pay or benefit, which are two of the most frequently used criteria in determining the suitability of a tax.

13. If it is to be national policy that the export grain rates should be maintained at present levels, it is our opinion that the financial burden should be borne by the public treasury, rather than by requiring the railways to collect the subsidy as is done at present.

PASSENGER SERVICES

14. The advent of the automobile and the airplane have cut deeply into the passenger traffic handled by the railways. Nonetheless, we believe that there are certain areas where the railways seem to have advantages over their competitors. The Victoria



1 Chamber of Commerce believes that the railways should
2 have complete freedom to decide on the extent of the
3 passenger services which they will provide,
4 consistent with the condition that no abandonment
5 should be allowed unless there is a suitable alter-
6 native means of travel available to those affected.

7 SUBSIDIES AND OPERATING EFFICIENCIES

8 15. We respectfully suggest to this Commission
9 that if the Government is to subsidize directly one
10 or more segments of railway operation, then the Canadian
11 people will wish to see that the railways are operated
12 in the most efficient manner in order to keep the
13 subsidy at a minimum figure. This means that the
14 railways should be free to take advantage of every
15 technological advance which can be used in the
16 processing of business and the movement of freight.

17 LABOUR CONSIDERATIONS

18 16. New methods and equipment when introduced
19 frequently require an alteration in the size of the
20 labour force and/or a re-assignment of duties. It
21 seems most desirable that the railway unions and
22 their members should approach proposed changes in
23 a spirit of co-operation, and that the railways
24 themselves should endeavour to do everything possible
25 to ensure that the employees understand the proposed
26 changes and are re-assured that full consideration has
27 been given to the human element involved. We suggest
28 that the Canadian public does not wish to see a repeat
29 of the recent strike by one railway union in which
30 the C.P.R. Company was prevented from securing the



1 maximum benefit from technological advances and new
2 equipment upon which the Company had spent millions
3 of dollars. The Railway Unions are in a position
4 which gives them unusual strength and at the same time,
5 unusual weakness. Their strength lies in the fact
6 that by strike action they can tie up an industry
7 which is absolutely vital to the national economy.
8 Their weakness lies in the fact that if they use this
9 weapon irresponsibly they could in time alienate
10 public sympathy to the point where repressive measures
11 would be demanded by the people of Canada. If this
12 situation were to arise, it would, of course, be of
13 major detriment to the employees. The Chamber suggests
14 that, in the long run, the interests of the employees,
15 the railways, and the general public would be best
16 served by the setting up of some form of arbitration
17 board to deal with disputes over conditions of work,
18 work assignments, and related subjects, with the
19 decision to be binding.

20 SUMMARY OF RECOMMENDATIONS

21 The Victoria Chamber of Commerce respectfully suggests
22 to this Commission that:

23 MAJOR RECOMMENDATIONS

- 24 1. A method of imposing freight rate increases
25 be devised which will be non-discriminatory,
26 and that the present level of rates be adjusted
27 to remove the discrimination which has re-
28 sulted from the series of horizontal per-
29 centage rate increases. (paragraph 8)
30



2. Subsidization of the Crows' Nest Pass Rates should be accomplished through some form of direct relief from the public treasury.
(paragraph 13)

SECONDARY RECOMMENDATIONS

3. The railways should be free to abandon unremunerative passenger services provided that a suitable alternative means of travel is available to those affected. (paragraph 14)
4. The railways should be given as much freedom as possible to take advantage of every technological improvement available, (paragraph 15)
5. Some form of compulsory and binding arbitration should be provided to resolve disputes between the railways and their employees on such matters as conditions of work, work assignments, and other related subjects when the two groups are unable to reach agreement through negotiation. (paragraph 16)

THE CHAIRMAN:

Thank you, Mr. Coppinger.

CROSS EXAMINATION BY MR. CUMMING:

Q. Mr. Hawes, in your opening remarks, you referred to a major industry which Victoria apparently lost to the Mainland. Will you tell the Commission what that industry was and when it went and why, if you can?

A. Mr. Chairman, that reference was to the Sidney Roofing and Paper Company, which was one of the chief industries in Victoria for many years,



1 I imagine for some forty years, and it has moved
2 to the Mainland and has opened one plant, I believe,
3 on the Prairies as well.

4 THE CHAIRMAN: In Lloydminster.

5 THE WITNESS: Yes, and they pretty well
6 pulled out of Victoria.

7 Q. Was the reason for their movement from
8 Victoria because of their transportation costs?

9 A. I am led to believe that, sir.

10 Q. That was the basis for it. Now, in
11 paragraph 6 on the second page of your brief you
12 point out that, "It has been found that a relatively
13 large portion of the B.C. traffic is of captive nature,"
14 and do you mean British Columbia traffic generally,
15 or does that apply to an even greater extent to the
16 traffic moving on and from Vancouver Island?

17 A. Yes, it does; unfortunately, we haven't
18 got the figures here at the moment to substantiate it,
19 but there are agreed charges that on recent contracts
20 the railway companies have inserted a clause dealing
21 with the privilege of imposing new increases under a
22 ninety day notice. Now, some of that, of course,
23 doesn't apply to competitive rates, but the agreed
24 charges are vulnerable and they are quite considerable
25 with the forest products, I believe, moving from the
26 Island, and they are subject to increases on a horizontal
27 percentage.

28 Q. But so far as the Vancouver Island
29 traffic itself is concerned, would you say that a
30 higher proportion of that is what might be described



1 as captive traffic than is true in the Province generally?

2 A. The volume of forest products is extensive;
3 that's possibly at least 50 per cent of the forest
4 products/^{movement} of British Columbia comes from Vancouver
5 Island. That is including the northern British
6 Columbia area which is developed.

7 Q. I take it that the situation here is,
8 in effect, that Vancouver Island is more captive than
9 the rest of British Columbia, if you can put it that
10 way?

11 A. I could not definitely say that without
12 referring it for further examination.

13 Q. Perhaps I can pass on to the suggestions
14 in paragraph 8.

15 THE CHAIRMAN: Perhaps Mr. Coppinger will
16 answer this. He read the brief.

17 MR. CUMMING: I only thought that from
18 what Mr. Brazier said, that the questions were being
19 directed to Mr. Hawes.

20 Q. In paragraph 8 you suggest, "that the
21 primary responsibility of this Commission is to
22 devise a non-discriminatory method of imposing
23 freight rate increases, and to adjust the level of
24 freight rates to remove the discrimination brought
25 about by the continued use of the horizontal percentage
26 increase method."

27 Have you any specific suggestions or
28 solutions to the problem of horizontal percentage
29 increases?

30 A. Frankly, Mr. Chairman, no. That is a



1 rather large undertaking for us, to make those
2 recommendations; we feel that the Crows' Nest Rates
3 have been a problem and are becoming an increasing
4 problem from the railway point of view.

5 THE CHAIRMAN: What he is asking you about
6 are the horizontal increases there.

7 MR. CUMMING: Q. It is on Page 3.

8 A. Our problem, actually, is that we
9 figure that British Columbia has got 10% of the
10 Canadian population, and when we are subject to the
11 horizontal percentage increases annually, dollar
12 for dollar, requested by the railway company, we are
13 paying per capita the maximum, and much greater than
14 some of the shorter haul areas.

15 Q. You think that British Columbia shippers
16 and consignees would be assisted if increases were
17 limited to the maximum per hundred lbs.; some limitation
18 of that sort, or perhaps have a varying or a sliding
19 scale of percentage increases. Would that help
20 your situation?

21 A. I could say this, that the Victoria
22 Chamber feels that there can be no further horizontal
23 percentage increases in rates in view of the fact
24 that our rates are out of all proportion and much
25 too high; we feel that there should be a new means
26 - whether on a tonnage basis or whether the material
27 moves over a shorter distance - we feel in the Chamber
28 that possibly the amount per ton, whether it goes
29 50 miles or 100 or 2000 miles, might be the solution,
30 because the initial cost of loading and getting underway,



1 we think is a tremendous expense in connection with
2 the railway company operations.

3 Q. I take it that you are suggesting there
4 should be some relative reducing scale for distances,
5 or something of that sort?

6 A. Certainly.

7 Q. Turning for the moment, then, to
8 paragraph 13 at the top of Page 4. You recommend
9 there that the export grain rates should be relieved
10 by some form of subsidy. Has your Chamber any
11 views as to how that subsidy should be paid? Should
12 it be paid to the railways or paid as a subsidy to
13 the farmers?

14 A. No. As a matter of fact, we have
15 no recommendation as to how it should be done any
16 more than we feel that something has to be done.

17 Q. You see the problem and you think
18 there should be some relief?

19 A. Yes.

20 Q. In the next paragraph you point out
21 that in certain areas the railways seem to have an
22 advantage over their competitors in the handling of
23 passengers. Could you tell us just what you
24 mean there; in what areas do the railways have such
25 an advantage as you mentioned?

26 A. From our point of view the passenger
27 movement in British Columbia is pretty well confined
28 to the main line usage. We have very few branch
29 lines in British Columbia, with the result that
30 passenger returns should be attractive in British



1 Columbia, but if there are certain Branch lines
2 with service being performed at a loss, that is
3 not generally typical of British Columbia because
4 it is mostly confined to the mainline passenger service.

5 Q. Now, dealing just for the moment with
6 this question of abandonment, I understand that the
7 situation is roughly this; when the railways apply
8 to the Board for abandonment and make out a case to
9 substantiate their application by showing their
10 losses, that the decision as to whether or not an
11 abandonment application would be granted depends
12 on the weighing of the evidence as to whether or
13 not the losses which the railways can show they
14 have sustained outweighs the inconvenience to the
15 public, which ^{would result} from a discontinuance of any such
16 service. Now, do you suggest there should be
17 any change in that basic approach to abandonment?

18 A. It is the feeling, I believe, of our
19 Chamber that due consideration should be given to
20 the railway companies in areas where it is definitely
21 shown that they are operating at a loss, and providing
22 that other service can take its place.

23 Q. I see. In the next paragraph of
24 your brief, Mr. Hawes, you refer to the general matter
25 of technical advantages, and I understand that the
26 railways have almost completed their dieselization
27 programme and steps are under way for other modern-
28 izations, and we hear about the institution of
29 central traffic control. Do you have anything
30 specific in mind in your suggestion that the railways



1 were free to take advantage of technicological advances
2 of which they are not taking advantage; I will put it
3 that way.

4 A. I am sorry, Mr. Chairman; in the
5 preparation of the brief that was not an item that
6 was considered or under decision.

7 Q. You wouldn't have anything to suggest
8 as to any additional freedoms that the railways have
9 than those which they enjoy now?

10 A. No.

11 Q. I think that is all I have to ask,

12 CROSS EXAMINATION BY MR. HUME:

13 Q. My name is Fred Hume and I represent
14 the Canadian Trucking Association, and I have one
15 question to ask dealing with Page 2. Will you
16 look at paragraph 6. In answer to my friend, Mr.
17 Cumming, with respect to your comments as to the
18 relatively large proportion of British Columbia
19 traffic^{which}/is of a captive nature, you answered
20 it in such a way that I understood you to leave the
21 impression that by "captive nature" you were
22 referring to the agreed charges, and the traffic that
23 was tied to the railway by reason of the agreed charges;
24 have I misinterpreted your answer?

25 A. No.

26 Q. In paragraph 5 you define captive traffic
27 in a completely different way, and you say that captive
28 traffic, which is the traffic which, by reason of
29 its bulk, weight or geographic location, is generally
30 assigned the maximum rate of increase, and it is the



1 context in which the words "captive traffic" have been
2 used up to now in these hearings, and I am wondering
3 whether or not you are intending to use those two
4 words "captive traffic" in two different contexts in
5 the two different paragraphs?

6 A. It has been drawn to my attention that
7 maybe I was in error in connection with the captive
8 traffic being tied to the agreed charges. It
9 has been my impression that the agreed charges are
10 not subject to the horizontal percentage increases.

11 Q. Well, some of them are, I think, Mr.
12 Hawes, but I think most of them are not, so you are
13 quite right. In your answers in relation to
14 paragraph 6 you are referring there to that kind
15 of traffic which is captive by reason of its size
16 or bulk, perhaps, rather than captive in the sense of
17 being a contractual commodity.

18 A. That is right.

19 Q. Now, you use the words "relatively large
20 proportion"; could you give me the percentage, is it
21 over 50 per cent?

22 A. It is around 67 percent.

23 Q. Thank you.

24 THE CHAIRMAN: We will adjourn now until
25 2:00, and Mr. Dickson will be next.

26 MR. DICKSON: Thank you, Mr. Chairman.

27
28 ----Luncheon Adjournment.
29
30



---On resuming at 2:00 p.m.

THE CHAIRMAN: Order please, gentlemen.

CROSS-EXAMINATION BY MR. FRAWLEY:

Q. Mr. Hawes, I would direct your attention to what you say about passenger deficits on page 5, recommendation number 3. You say: "The railways should be free to abandon unremunerative passenger services provided that a suitable alternative means of travel is available to those affected." Must I take it from that that the Victoria Board of Trade has not directed its mind to what should be done about the passenger deficits on the national railways?

A. I would say from figures and from expressions from the railway companies, we have gathered that there are certain branch lines where the returns from traffic are unremunerative, and that it was our opinion that in that event, providing there was other suitable service in existence, that they should be given that privilege.

Q. Well, that is not what I am talking about at all. You are saying that they should be free to abandon the unremunerative passenger services, and I suppose you contemplate a continuation of what they now do: They must go to the Board of Transport Commissioners and make out a case for abandonment and,



1 if the Board thinks the public convenience is not badly
2 affected, they will allow them to abandon. I am not
3 talking about that. We know, as a matter of public
4 knowledge, that the Canadian National Railway, because
5 Mr. Gordon was good enough to make a public statement
6 about it, is losing many millions of dollars a year
7 operating the passenger services on his railway; and
8 Canadian Pacific, I am sure, from the statements they
9 have made from time to time, are operating the passenger
10 business at a deficit. I simply ask you, has the
11 Victoria Board of Trade directed its mind as to how
12 we should handle that deficit on our national railways?

13 A. I would say No to that question, and
14 qualify that by saying it is the opinion of our Chamber
15 that the mechanics should be streamlined of getting
16 permission to abandon lines that are proving unremunera-
17 tive, where there are other services.

18 Q. You have not got beyond the business
19 of abandoning a line that may be unprofitable?

20 A. No.

21 Q. I looked with interest at what you had
22 to say about the horizontal percentage increase, and
23 I simply put it to you, what is the Victoria Chamber
24 of Commerce suggesting we do about the horizontal
25 percentage increase?

26 A. I am sorry that we have no suggestion
27 that could be helpful to this Commission on that.
28 We realize something must be done, but we are not
29 prepared at this time, with the limited knowledge that
30 we have, to say what the solution is.



1 Q. I am not too clear about your percentages,
2 and I would like you to go to what you say on page 2
3 where you say, in paragraph 6: "It has been found
4 that a relatively large proportion of the B.C. traffic
5 is of captive nature, and therefore subjected to
6 maximum or near maximum rate increases." I would
7 like, first, to ask you, when you use the expression
8 "captive traffic" it is the captive traffic which
9 you have defined in the immediately preceeding
10 paragraph, is it?

11 A. Our reference in there was to non-
12 competitive commodities.

13 Q. In your reference in where -- in paragraph
14 5 or in paragraph 6?

15 A. In paragraph 5.

16 Q. In paragraph 5 you say that it is the
17 captive traffic which is generally assigned the maximum
18 rate of increase, and you define "captive traffic"
19 as traffic which cannot readily be moved by other means
20 by reason of its bulk, and so on?

21 A. Well, actually, I might say these are
22 purely illustrations, and we do have some figures, and
23 I believe you will find some figures in the Government's
24 brief about traffic coming in to British Columbia and the
25 outgoing traffic, and also the movement within the
26 province of the type of non-competitive commodity rates
27 that we referred to as captive.

28 Q. What you are doing is directing me to
29 the British Columbia Government's brief for the basis
30 for those figures that you have used -- those expressions



1 that you have used?

2 A. Yes, that is true.

3 Q. Because you gave one of my friends a
4 percentage this morning, and you said when you used
5 the words "relatively large proportion" it meant 67
6 per cent; you said 67 per cent, and I wondered where
7 you got that figure?

8 A. Actually, at the time this morning I
9 was speaking from memory, but it is table 16, I think,
10 of the Provincial brief.

11 Q. In the Provincial brief?

12 A. Yes.

13 Q. Well, I won't pursue that with you, Mr.
14 Hawes. There will probably be plenty of opportunity
15 to pursue it with the gentleman who wrote it. Thank
16 you, Mr. Hawes.

17

18 CROSS-EXAMINATION BY MR. MAURO:

19 Q. Just a couple of questions, Mr. Hawes:

20 On page 3, paragraph 8: "It is our belief that the
21 primary responsibility of this Commission is to devise
22 a non-discriminatory method of imposing freight rate
23 increases, and to adjust the level of freight rates
24 to remove the discrimination brought about by the
25 continued use of the horizontal percentage increase."
26 You have told my learned friend that the Victoria
27 Chamber has no specific recommendation as an alternative
28 to the present method of horizontal rate increases,
29 but you said to someone this morning -- and I think
30 it was Commission counsel -- that you are toying around



1 with the idea that it maybe perhaps a tonnage rate
2 that would have a flat charge whether the commodity
3 moved 50 miles or a thousand miles; is that correct?

4 A. Yes; at the time of making that answer,
5 you will remember a few years back there was an attempt
6 at equalization, and whether or not that is the answer
7 we are not prepared to say, ourselves.

8 Q. But your association would support any
9 method which attempted to shift the apparently dis-
10 proportionate burden that is now borne by the long
11 haul shipper?

12 A. Definitely.

13 Q. And any ultimate solution would have
14 to be something tending towards reflecting the true
15 terminal costs as opposed to line haul costs?

16 A. That is right.

17 Q. Then, in paragraph 11 you state:
18 "If the railways are to be allowed to earn a fair
19 profit on operations, this means that other rates must
20 be set at a level which will be not only compensatory
21 in themselves, but which will provide a margin to pick
22 up the losses on the movements of grain and flour under
23 the Crow rates." If, Mr. Hawes, the Crow rate
24 returned their variable or out of pocket costs -- just
25 assume that they did -- then you would not suggest
26 that there be any subsidy attached to Crow as opposed
27 to any other rate?

28 A. It would be our hope that the ultimate
29 conclusion that rates that are affecting us out west
30 would be rolled back.



1 Q. Isn't it the case that when any rate
2 is below fully distributed cost -- total cost -- that
3 the shippers of captive traffic must make up the
4 difference, because the railways need "X" dollars
5 to operate?

6 A. That is true.

7 Q. So that, to the extent that any rate
8 is below its fully distributed cost there is what we
9 have come to know as differential pricing -- some
10 pay more and some pay less?

11 A. Right.

12 Q. Your association is not suggesting that
13 any minimum contribution be set on rates -- any minimum
14 contribution to fully distributed costs?

15 A. We feel there should be minimum, the
16 same as in other -- if you are referring to the grain
17 movement, I don't think anywhere along the line we have
18 suggested that a rate be set to meet the cost of
19 transportation. We think it should stand its just
20 portion of whatever the railways hope to make. There
21 should be profit made in the grain haul just as with
22 the other commodities.

23 Q. And should this Commission establish
24 that the grain traffic should return a specified amount
25 of profit, should this principle also apply to all other
26 rates -- should this form a minimum for all other rates?

27 A. I would think that something of that
28 sort could be taken to be desirable.

29 Q. So that we should set a basis -- and I
30 am just trying to understand this; I am not taking any



1 position -- that this Commission in their decisions
2 should set out clearly that the railways, as profit
3 making organizations, should receive a minimum
4 contribution to fully distributed costs from all rates,
5 and that rates should not be permitted to fall below
6 that level?

7 A. I would think that, presenting this
8 brief as I am for the Chamber -- that point has never
9 been suggested, and whether or not anything I would
10 say in answer to it would be my own opinion -- I am
11 sorry that is about as far as I can go.

12 Q. In the same light, and just concluding
13 that portion of my questioning, I think you would
14 probably agree that it is important that this Commission,
15 therefore, in the light of what you and I have just
16 discussed, look at the overall freight rate picture,
17 and not just one specific set of rates?

18 A. We feel that this should be finalized
19 to the point where certain areas which are suffering,
20 particularly those on the long haul -- we think that
21 we should have some relief through whatever adjustment
22 that is going to be made by the Commission.

23 Q. And in order that this Commission really
24 assess the burden being borne by the long haul shipper,
25 that this Commission should and must of necessity
26 look at the overall freight rate picture?

27 A. Right.

28 Q. Then, on page 4, Mr. Hawes, paragraph 14:
29 "The Victoria Chamber of Commerce believes that the
30 railways should have complete freedom to decide on the



1 extent of the passenger services which they will
2 provide consistent with the conditions that no
3 abandonment should be allowed unless there is a suitable
4 alternative means of travel available to those affected."

5 Now, assuming that an application for
6 abandonment is made and the railways clearly prove
7 that they are losing "X" dollars per year by
8 maintaining that service, but the Board of Transport
9 Commissioners concludes that the public convenience
10 requires the maintenance of that service, where would
11 the railways pick up the deficit?

12 A. Well, I suppose it would have to be
13 priced on other revenue sources, just the way it is
14 at the present time, although I must say that we have
15 a situation right here on the Island where the railway
16 companies have reduced the service and put equipment
17 on these branch lines that are much more economical
18 to operate.

19 Now, we don't know whether they are still
20 giving any other parts of the country full service in
21 carrying particular loads of passengers, but we do
22 know that the Canadian Pacific Railway have made a real
23 effort to reduce costs on the Island branch lines
24 for passenger service.

25 Q. Mr. Hawes, the Victoria Chamber is very
26 clear and specific in setting out that in the case of
27 the statutory grain rates it is their opinion that any
28 deficit from this traffic is a burden on the freight
29 shipper and is in the form of an indirect tax, and that
30 the freight shipper should be relieved from this burden;



1 is that correct?

2 A. That's right.

3 Q. So I put to you the situation where
4 a passenger service is losing money and the Board of
5 Transport Commissioners orders the railways to maintain
6 it because of public convenience, and there is only
7 one place where the railways can make up their revenues
8 and that is from the freight shipper. And I ask you
9 if you are consistent in saying that any deficit from
10 those services should be made up from a public
11 subsidy?

12 A. I don't think that the problem there,
13 as we suggested in our brief -- that they should be
14 able to reduce or streamline their services on branch
15 lines, and make every effort, first, before they
16 eliminate the service. We don't like to go out
17 on a limb and say you should eliminate services on
18 branch lines where there is a reasonable chance of
19 salvaging it without losing too much money. What we
20 don't want to do is have the railway companies maintain
21 elaborate services and branch lines at the expense
22 of the freight and other sources of revenue.

23 Q. But, in paragraph 14 you say that this
24 abandonment must be consistent with the conditions that
25 no abandonment should be allowed unless there is a
26 suitable alternative means. Now, I don't want to
27 press you, and if you have no answer, that is
28 understandable. But I am trying to get a consistent
29 policy for this Commission to follow, and I was following
30 the reasoning of your organization. Assuming the



1 service must be maintained in the public interest, you
2 have told us that the Crow rates should be subsidized
3 because it places a burden. I ask you if your
4 association is consistent in saying that the deficit
5 from services maintained in the public interest of a
6 deficit should similarly have support of the Federal
7 Treasury?

8 MR. SINCLAIR: Why doesn't my friend tell
9 the witness what passenger services there are maintained
10 in the same relationship as the grain?

11 MR. MAURO: The ones referred to right here
12 in the brief. We are going to hear, I believe, a
13 lot about passenger service.

14 THE CHAIRMAN: From the railways.

15 MR. MAURO: From the railways themselves.

16 THE WITNESS: Mr. Mauro, I wonder if you
17 would repeat the question.

18 MR. MAURO: Q. Surely, Mr. Hawes.
19 I was saying that I was trying to assist the Commission
20 in enunciating policy, and your association very
21 clearly said that in the case of a deficit freight
22 movement, mainly the Crow rate, in your opinion, the
23 deficit resulting therefrom should be a charge on the
24 public treasury and not on the freight shipper. Am
25 I correct in that statement?

26 A. Yes, that's right.

27 Q. I ask you, following what you have set
28 out in paragraph 14, that if the public interest
29 requires the maintenance of a deficit passenger service
30 or a deficit branch line service, would your Chamber



1 follow the consistency and say that that, too, should
2 be lifted from the back of the freight shipper and
3 receive support from the Federal Treasury?

4 A. Well, Mr. Mauro, actually, I am pretty
5 familiar with our Chamber in regard to the Crow's
6 Nest problem. I think I am right in saying that
7 the deficit that has arisen on branch line passenger
8 is a comparatively new problem and we haven't had the
9 opportunity of studying it. We are rapidly going
10 along with the railways, except that we feel something
11 must be done to curtail expenses, rather than load
12 it on to freight rates.

13 Q. Then, to conclude, as far as your
14 association is concerned, you would expect this
15 Commission to treat all burdens in the same way?

16 A. Right.

17
18 CROSS-EXAMINATION BY MR. MACDOUGALL:

19 Q. Mr. Hawes, my name is Graham Macdougall,
20 and I represent the Canadian National Railways, and
21 I would like to just continue the discussion a little
22 bit that you were having with Mr. Mauro about the
23 passenger problem. And I believe you are aware,
24 sir, that while no evidence has been given yet to this
25 Commission by the railways concerning the passenger
26 problem, nevertheless it is generally recognized that
27 it is a problem, and the railways have made public
28 statements to the effect that we have deficits on
29 passenger service. It is a serious problem. You
30 are aware of that?



1 A. Yes.

2 Q. I understand that basically your Chamber
3 is not in favour of solving the railway problem by
4 subsidies, if other ways can be found to do it?

5 A. That can be assumed, yes.

6 Q. And in the areas, your brief says,
7 where public policy dictates that something be done,
8 and it does not appear there is any other way than
9 to deal with the problem than by subsidy, then you
10 are in favour of taking that action?

11 A. In that case, we favour a subsidy.

12 Q. The case Mr. Mauro spoke to you of, sir,
13 of the passenger train service which is shown to be
14 a deficit service, and I understand the position of
15 your Chamber to be that the railroads should be given
16 much greater freedom than they have been given to get
17 rid of unremunerative passenger service if there is
18 some alternative service available to serve the
19 public?

20 A. I think the same answer is, there, that
21 our Chamber agrees with the railway companies' action
22 in reducing its streamlining service on branch lines
23 which are unremunerative. I don't believe -- we
24 certainly don't want to go on record as saying that
25 the railway companies should have the privilege of
26 abandoning those lines. I don't think we really
27 could go on record as asking the Commission to amend
28 the present regulations, and it is for the benefit
29 of the Commission that we feel that they should look
30 at the problem on its own rights.



1 Q. You would agree, I think, sir, and I
2 think the words of your submission on page 4 say so, where
3 you say: "The Victoria Chamber of Commerce believes
4 that the railways should have complete freedom to decide
5 on the extent of the passenger services which they
6 will provide, consistent with the condition that no
7 abandonment should be allowed unless there is a
8 suitable alternative means of travel available to those
9 affected."

10 Now, I understand that. That is very
11 clear. And I think you will agree that the reasonable
12 way to approach this is to say to the railroads, "You
13 should have greater freedom to get rid of these passenger
14 services, but you must remember that the public has
15 got to be served, and therefore your freedom is
16 complete where there are alternative suitable services
17 available, and it is not complete in the areas where
18 there are not suitable alternative services available;
19 is that right?

20 A. That's right.

21 Q. And I put this to you. Suppose
22 we have an area in Canada in which a passenger service
23 is operated, served by the railway, and there is no
24 alternative service available -- no highway -- perhaps
25 no suitable alternate service available, and the
26 Transport Commission, on application finds this service
27 is required, even although it is losing a certain
28 amount of money a year.

29 I ask you, sir, have you any ideas as to what
30 further action should be taken by the Transport Board



1 by way of reimbursing the railway company for the losses,
2 and maintaining such a service in the public interest
3 which they consider necessary?

4 A. I would say it would be our opinion that
5 in isolated cases when the railway company would be
6 confronted with such a problem, and naturally you will
7 not be able to make a profit on all your activities,
8 and I would say if there are cases such as that, that
9 you would have to make up the losses from some other
10 source.

11 Q. The railway company would make up the
12 losses from another source?

13 A. Yes.

14 Q. Let me put this case to you. Suppose
15 we have a similar situation where the railway company
16 is losing a substantial amount of money, and applying
17 to get rid of the service, and there is no alternative
18 service actually available in the area, but there is
19 a means whereby it can be made available -- highways
20 are present. In that case, I suggest to you that
21 the railway should have the freedom to get out of
22 that service, and the obligation should not be placed
23 on the railway company to provide a railway there, or
24 if they don't use it to the point where it paid its
25 way, I suggest to you in that case the fair thing to
26 do to enable the railway to get rid of this deficit, is to
27 say to the public concerned, "We will give you reasonable
28 notice that this railway service is ending; and it is
29 up to you to provide your own means of service by
30 use of the highway".



1 Don't you think that would be a reasonable
2 way of getting rid of that deficit position?

3 A. I would say, sir, in specific cases of
4 that type that that is one of the reasons that the
5 Board of Transport Commissioners will have to work out
6 that problem. I don't think it is quite fair that
7 you should come to an individual Chamber on a question
8 of that type.

9 Q. I quite agree. I am not asking you
10 to decide it. You are being asked for your general
11 views on the subject, and I know your views will be
12 of interest to the Commission.

13 What are they going to do in the case where
14 the service is not paying its way, and alternative
15 service is not available? Is the railway going to
16 continue all the way over the country -- or should
17 the Transport Commission or this Commission sitting
18 here today look at these problems and say that either
19 the people of Canada should pay for that, and not the
20 railway, or else the people in the area should be
21 given an extended notice, perhaps a year or six months
22 or two months, or whatever the Transport Board thought
23 reasonable, and say to them, "You can't have this
24 expensive railway service; you have to go to the local
25 people..." -- say, the local Government, perhaps, --
26 "...to provide some sort of communication".

27 I suggest to you and my question is why should
28 the railway company be asked to assume those burdens,
29 and under those circumstances would you agree with me
30 that it should not be asked to?



1 A. Mr. Macdougall, I would say each case
2 would have to be settled on its merits, and I believe
3 the Board of Transport Commissioners would be quite
4 capable of facing up to it. Now, that is about
5 the only answer I could give you on that.

6 MR. MACDOUGALL: Thank you very much, Mr.
7 Hawes. I am not pressing you for an answer on the
8 point. I thought you might have some general views.
9 Thank you very much.

10
11 CROSS-EXAMINATION BY MR. SINCLAIR:

12 Q. Mr. Hawes, my name is Ian Sinclair, and
13 I represent the Canadian Pacific Railway.

14 Would it be correct to summarize the views
15 of your Chamber in regard to this matter that has
16 been discussed with you about passenger train service --
17 the situation is that basically this is a managerial
18 problem; would you agree with that?

19 A. I would say so, yes.

20 Q. Now, Mr. Hawes, on pages 3 and 4, paragraphs
21 11, 12 and 13 deal with this difference in what would
22 be proper remuneration for the movement of grain to
23 export positions, and what is received by the railways.
24 And you suggest, I take it, that the railways, notwith-
25 standing the fact that they have not been receiving
26 proper remuneration from grain, have made up that from
27 other traffic. That is your position? Is that
28 right?

29 A. That's right.

30 Q. Did you know, Mr. Hawes, that there is



1 proof before this Commission that the Canadian Pacific
2 in the post war period had never made the permissive
3 level of earnings authorized by the Board of Transport
4 Commissioners. Did you know that?

5 A. Yes, I will agree with you, Mr. Sinclair.

6 Q. And so, therefore, to the degree the
7 railways have not made a fair profit on their operations,
8 they have been carrying a part, at least, of the
9 burden of these low grain rates?

10 A. It would appear, to a certain extent,
11 yes. I think an attempt has been made, of course,
12 on the methods used to recover as much as possible,
13 and probably squeeze to the limit, as we think of it
14 in the west, about all that could be piled on.

15 Q. In the event that the railways have
16 not made a fair profit from their operations, and they
17 have not been able to receive proper remunerations from
18 grain, in part, at least --- in whole or in part,
19 depending on what the facts are -- the railways have
20 carried some of this grain burden?

21 A. We agree, yes.

22 MR. SINCLAIR: Thank you, Mr. Hawes.

23 And I may say, on behalf of Canadian Pacific, I think
24 your Chamber is to be complimented on this presentation.

25 MR. FRAWLEY: May I ask a question?

26 THE CHAIRMAN: Yes.

27
28 BY MR. FRAWLEY:

29 Q. Mr. Hawes, you have been public-spirited
30 enough to come and present these views to this Commission,



1 and I want to ask you a question arising out of your
2 answer to Mr. Sinclair a moment ago. You told
3 Mr. Sinclair that, with respect to the passenger
4 losses on the railways, those could be left to the
5 discretion of the management? Is that what you
6 want us to understand from your answer?

7 A. No, that was not intended, actually.
8 I think only the railway companies can determine
9 just what has to be done in connection with policies.
10 I think I made myself quite clear -- if there are
11 methods whereby they can lower their costs and
12 streamline their service ---

13 Q. That isn't my point. Assume with me,
14 Mr. Hawes, that notwithstanding the best efforts of
15 the railways -- their best efforts to eliminate
16 unprofitable branch lines and unprofitable passenger
17 services -- notwithstanding that, they have a loss
18 at the end of the year of "X" dollars on their
19 passenger services, now I want to know, and what I am
20 interested in is the distinction you draw between
21 "X" dollars, which they say they lose hauling grain
22 to export positions in western Canada, and the "X"
23 dollars they lose operating their passenger services --
24 do I understand that you are saying to this Commission
25 that you want the "X" dollars they lose on hauling
26 grain made up by a Federal subsidy, but you want the
27 "X" dollars that they lose on their passenger deficit
28 to be left to their own managerial discretion? I want
29 to be quite sure you are going that far?

30 A. Well, we feel, I am sure -- now, I am



1 speaking for myself, again, on this. This has
2 been discussed at the Chamber level, and we do agree
3 that the railway companies have a problem. Now,
4 beyond what is presented in the brief, I am not
5 instructed to go beyond that. Now, some of the
6 answers that I have given naturally are my own opinion
7 on the matter as through cross-examination.

8 Q. Yes. Well, I think we understand
9 each other, Mr. Hawes. I just wanted to be quite
10 certain whether you were going to send the Commission
11 away feeling that, as to the passenger losses it
12 was all right to temporize and leave that with
13 railway management, but for their losses of handling
14 export grain, then Federal subsidies would be immediately
15 available. Now, I take it you didn't want to
16 go that far?

17 A. We have never actually taken a stand
18 on the question of passenger losses, which we think
19 are a minor item.

20 Q. Please, Mr. Hawes, I am not talking
21 about that at all. I am talking about what the
22 railway Presidents call their many millions of dollars
23 that they lose on their passenger service, like every
24 railway in America is today.

25 And I put it to you -- let me just put it
26 to you very frankly that there is just as much reason
27 to go to the Federal Treasury for a subsidy to make
28 up these "X" dollars they lose every year on passenger
29 service, as there is to go to the Federal Treasury
30 to make up the loss of handling grain to export positions



1 in western Canada. Do you agree with me?

2 A. No, I would not agree with you.

3 Q. You would say, then, that the passenger
4 deficit should be left to the railways to work out,
5 and, if necessary, leave it on the rest of the freight
6 traffic?

7 A. Right.

8 Q. Are you finished with your answer?

9 A. Yes.

10 Q. Then, you are leaving it this way, then:
11 That the passenger deficits can be carried by the
12 freight service where they are carried now, but the
13 losses, if any, on export grain -- they are to be
14 taken care of by a Federal subsidy?

15 A. For the time being, I would say that that
16 would be our opinion.

17 Q. That would be the position of the
18 Victoria Chamber of Commerce?

19 A. I have to qualify that by saying that
20 it is a personal observation -- if you wouldn't mind
21 me saying that because we have never discussed that
22 point at a Chamber level.

23 MR. FRAWLEY: It's nice to be clear where
24 various interests stand on the matter, Mr. Hawes.

25 MR. SINCLAIR: It certainly is.

26
27 BY COMMISSIONER BALCH:

28 Q. Just one question.

29 On page 5, it states: "The Chamber suggests
30 that, in the long run, the interests of the employees,



1 the railways, and the general public would be best
2 served by the setting up of some form of arbitration
3 board to deal with disputes..."

4 For the information of the Commission, has
5 the Chamber ever thought of what kind of an arbitration
6 board that would be, or what form it would be in?

7 A. There hasn't been any real decision
8 as to what we recommend. Now, that has been left
9 to the Commission. But, we think some form of
10 arbitration is needed.

11 Q. Going on further, you say: "...disputes
12 over conditions of work, work assignments, and related
13 subjects..."

14 Now, I don't know whether the assignments
15 that you speak of there is what the railway thinks of
16 the word "assignments". Would you suggest that
17 should be taken out of the hands of management --
18 "work assignments and related subjects"?

19 A. I think it is a term or phrase --
20 "conditions of work, work assignments..." -- the
21 delegation of duties to various persons. From time
22 to time, you will have disputes of the Union over
23 placement of certain individuals, delegating certain
24 jobs.

25 Q. Do you think that should be taken out
26 of the hands of management?

27 A. It shouldn't be a factor when it reached
28 the stage of strike, that it stops the work, with
29 arguments with the Union over assignments.
30



1 COMMISSIONER MANN: I have a couple of
2 questions, if I may. You have had quite a discussion
3 about passenger service, and I don't want to prolong
4 this, but I wonder if you could help us by qualifying
5 something here. It is the suggestion that the
6 railway should have complete freedom to decide on the
7 extent of passenger service when you have a ferry
8 service that Canadian Pacific provides between Vancouver
9 and Victoria, and that ferry service as I understand
10 it is in connection with another ferry service, and
11 if Canadian Pacific should decide oh, say, next year
12 or two years from now that the ferry service it
13 provides is unremunerative and if it can satisfy
14 itself that the Black~~all~~ ferries have sufficient
15 vessels to take care of the demand, is there anything
16 in the way of Canadian Pacific withdrawing its ferries
17 between the mainland and Vancouver Island?

18 THE WITNESS: Can I ask this: To my
19 understanding the ferry service doesn't come under
20 the Board of Transport Commissioners, am I right in
21 that?

22 COMMISSIONER MANN: I think you are right,
23 I think that is proper; so that you would think that
24 Canadian Pacific could just withdraw its vessel, having
25 presumably given some notice to the public?

26 THE WITNESS: I would say so.

27 COMMISSIONER MANN: Would you think that
28 that could also be done in the case of passenger service?
29 Should Canadian Pacific or Canadian National be allowed,
30 on showing that there is alternate service available,



1 to just give adequate notice to the public and then
2 withdraw its passenger service on that line? Do you
3 think that could be done?

4 THE WITNESS: We in the Chamber feel that
5 the railways should have greater leaway in making a
6 decision, but subject to public reaction which they
7 have got to face, of course, and that is their problem.

8 Q. You agree that they have all the
9 freedom in the world to make a decision and the
10 difficulty, I suppose, lies in implementing that
11 decision?

12 A. Yes.

13 Q. You still want, however, to retain the
14 Board of Transport Commissioners' jurisdiction in
15 passenger abandonment cases, do you?

16 A. Yes.

17 Q. You don't want that curtailed?

18 A. There should be a degree of leniency
19 at the broader level of greater consideration; I think
20 that is the feeling of our Chamber, that the present
21 regulations might be a little stringent.

22 Q. You think the proceedings before the
23 Board might be speeded up?

24 A. That is the opinion of our Chamber, yes.

25 Q. Now, in paragraph 15, Mr. Hawes, in
26 talking about subsidies and operating efficiencies,
27 you say in referring to the possibility of subsidizing
28 one or more segments of railway operations, "the
29 Canadian people will wish to see that the railways are
30 operated in the most efficient manner in order to keep



1 the subsidy at a minimum figure." How do you think
2 that the Canadian people would implement their desire
3 to see that that is the case; what should they do
4 in order to make sure that the railways are operated
5 in the most efficient manner?

6 A. It is the responsibility of the Board
7 of Transport Commissioners, I suppose, to see that
8 their regulations are carried out. Their regulations
9 are set down in the interests of economy, that the
10 service must be streamlined sufficiently to carry the
11 equipment, but we see no reason why there should be,
12 maybe, eight or ten coaches on a train where probably
13 only one coach is full.

14 Q. You think that if someone in this country,
15 the Board or some other agency, decides that there is
16 a duplication of service, that that body should be
17 able to order the railways to abandon or pool, or
18 whatever may be the case, to bring about efficiency?

19 A. We say that that might be necessary,
20 whether it is necessary at the present time, but it
21 might become necessary, and that is something that
22 should definitely be brought to the attention of this
23 Board.

24 Q. I have another question. On page 5,
25 Mr. Hawes, you suggest an arbitration board for
26 certain types of conditions, work, and so on, should
27 be set up. Now, do you know whether the Canadian
28 Chamber of Commerce has a policy of compulsory arbitration
29 on industrial disputes?

30 A. Yes. As a matter of fact, under the



1 1959-1960 policy a declaration of the Canadian Chamber
2 of Commerce was made at page 11, and it deals with
3 the matter and it has the sanction and support of the
4 Victoria Chamber.

5 Q. I have one more question. You told
6 us about the move that the Sydney Paper Company made
7 to the mainland. I suppose your largest industry
8 at the moment in Victoria is the British American
9 Paint Company?

10 A. We have the ship building; there are
11 two ship yards, and Bapco. They are the chief ones,
12 yes.

13 Q. Now, Bapco has to get certain supplies,
14 and I have made a little note here about cans for the
15 paint, and latex, I suppose, is part of the paint^{base} and
16 there is oil, certain oils and some pigments, and do
17 you happen to know where those materials come from;
18 where does Bapco obtain those materials, are they
19 brought in from Central Canada?

20 A. No, I am sorry, I can't answer that.
21 I do know that they do have a variety of places, but
22 I couldn't give you any information on that. I could
23 get that for you, if you wish.

24 COMMISSIONER MANN: I just wondered if
25 you knew. Thank you very much.

26
27 COMMISSIONER BALCH: As an outcome of
28 your answer regarding the compulsory arbitration, would
29 you apply that also to the benefit of all your industries
30 on the island, or just railways; what is the stand of



1 your Chamber on that?

2 THE WITNESS: It has been of interest to
3 those engaged in the interests of public safety and
4 health; I believe that is the wording of the Chapter.
5 Now, I have the brief of our Provincial Government
6 under date of December 2, 1958, and I guess that is
7 about the last one that we have here, and clause 7 says,
8 "Prohibit strikes or lockouts upon reference to a
9 Supreme Court judge, where health and safety and
10 public convenience and necessity are placed in jeopardy
11 by strike action or threat of strike action and/or
12 lockout."

13 THE CHAIRMAN: Thank you, Mr. Hawes.

14 There is a resolution, Mr. Secretary, that
15 I think should go into the record.

16 MR. ANDERSON: We have been asked to take
17 into the record a resolution re the preservation of
18 the Crow's Nest grain rates adopted by the annual
19 meeting of the Saskatchewan Chamber of Commerce on
20 October 8, 1959.

21 "Whereas the production of high quality
22 spring wheat continues to provide the principal
23 source of wealth and farm cash income in
24 Western Canada: and

25 Whereas Western Canadian wheat faces keen
26 competition in the markets of the world
27 with wheat from foreign producing areas
28 located closer to seaboard: and

29 Whereas Western wheat producers are
30 heavy purchasers of the products of the



1 manufacturing areas of Eastern

2 Canada: and

3 Whereas the Crow's Nest Rates on grain and
4 grain products, guaranteed in perpetuity by
5 the Canadian Pacific Railway Company in
6 return for valuable direct and indirect benefits
7 which it continues to enjoy, constitute the
8 only stable element in an otherwise hazardous
9 agricultural industry: and

10 Whereas Parliament has recognized the
11 Crow's Nest rates on grain and grain products
12 as an integral part of National Policy:

13 Therefore be it resolved that the
14 Saskatchewan Chamber of Commerce commends
15 the statement of Government Policy made by
16 the Prime Minister in Parliament on May 13th
17 1959, assuring the continuation of the rates
18 on grain and grain products established by
19 the Crow's Nest Pass Agreement and ratified
20 by Parliament: and

21 Further be it resolved that this Chamber
22 urges upon the Royal Commission on Transportation
23 the vital necessity in the interest of Canada
24 as a whole of preserving the integrity of
25 the Crow's Nest Pass rates in their present
26 form and at their present levels."

27 MR. SINCLAIR: I think it might be of
28 assistance, seeing that the Chamber cannot be here, that
29 maybe the Secretary should advise the Chamber in the
30 light of their resolution that as far as the railways



1 are concerned there hasn't been any suggestion before
2 the Commission that these rates be changed insofar as
3 farmers are concerned, in view of the fact that.---

4 THE CHAIRMAN: That will be done.

5 MR. SINCLAIR: Thank you.

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8 ---At this point the hearing of a brief submitted by
9 the Government of the Province of British Columbia
10 was commenced. See Volume 41 for complete
11 submission.

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---Adjournment.

Mr. McLaughlin

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

VANCOUVER

British Columbia

VOLUME No.:

39

DATE

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Vancouver, B.C.
Tuesday,
February 23, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, gentlemen.

Will the Secretary please read the Orders-in-Council.

---(Here the Secretary read the terms of reference and the Chairman introduced the members of the Commission.)

THE CHAIRMAN: Now, we have been in every province in this wide dominion. We have had problems presented to us, and we have had all too few proposed solutions.

However, we are not surprised to find that you have problems here. You would be most unusual in centres of Canada if you did not have, and I am going to call on Mr. Brazier now to take charge, as Counsel for the Province.

MR. BRAZIER: Mr. Chairman, Members of the Commission, the first brief this morning will be presented by Mr. Reginald Elmer, on behalf of the Vancouver Board of Trade.

The Vancouver Board of Trade is one of the largest organizations of its kind in Canada. It has taken an active interest in transportation matters since the very early years of the present century, and they have consistently over the last 50 or 60 years presented to the Royal Commissions and to the Board of Transport their views on transportation matters. Their membership includes a number who are vitally interested in transportation matters, besides their representing the



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2 principal businesses and industries and professional
3 men of the City of Vancouver.

4 The Board had hoped that Mr. Oswald Crawford
5 would be here this morning to present the brief. Un-
6 fortunately, I have been advised this morning that he
7 is ill and not able to do so. Mr. Elmer, besides being
8 the Secretary of the Transportation and Customs Bureau
9 of the Vancouver Board of Trade, has been a member of
10 the B.C. Freight Rates Advisory Committee since it was
11 established a few years ago, and he will now, on
12 behalf of the Vancouver Board of Trade, present their
13 brief.

14 THE CHAIRMAN: We will be glad to hear you,
15 Mr. Elmer.

16 REGINALD ELMER, Called.

17 MR. ELMER: Thank you, Mr. Brazier. Thank
18 you, Mr. Chairman.

19 THE CHAIRMAN: First of all, you are still
20 a Board of Trade and not Chamber of Commerce?

21 MR. ELMER: That's right, sir. We still
22 keep the old British word Board of Trade, but the names
23 are synonymous.

24 THE CHAIRMAN: You aren't to be condemned
25 for that.

26 MR. ELMER: No.

27 As Mr. Brazier has explained to you, we did
28 hope to have Mr. Oswald Crawford, who is a senior
29 member of our Transportation section, present the brief
30 this morning. Unfortunately, being ill, I will substi-
tute for him, and I beg the Commission's indulgence.



1
2 First of all, on behalf of the Board of Trade, I extend
3 to you gentlemen a sincere welcome to the City of
4 Vancouver, and we do hope that you will have time for a
5 little pleasure here as well as your onerous duties as
6 Members of the Commission.

7 THE CHAIRMAN: Thank you.

8 MR. ELMER: Our brief is based on general
9 principles, rather than detail, and as we have in our
10 Board of Trade membership not only the shippers and
11 receivers, but carriers as well, we tried to express
12 the general opinion of all.

13 Mr. Chairman, Members of the Royal Commission,
14 the Vancouver Board of Trade is a voluntary association
15 of business and professional men numbering over 2,800
16 of which the greater percentage are directly affected
17 by transportation matters.

18 The Transportation and Customs Bureau is the
19 technical arm of the Vancouver Board of Trade in the
20 field of transportation and its committees are
21 composed of men technically qualified by training
22 and experience and whose daily work is related directly
23 to transportation matters.

24 This submission by the Vancouver Board of
25 Trade is designed to acquaint the Commission with the
26 attitude and opinions of shippers and receivers in this
27 area, in a spirit of helpfulness.

28 The views expressed herein have been
29 approved by the official committees of the Bureau and
30 examined and concurred in by the Council of the
Vancouver Board of Trade.



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2 In order that the brief may be submitted in an
3 orderly fashion, it will be divided into five main
4 sections each based upon the subjects contained in the
5 terms of reference to the Commission.

6 1. INEQUITIES IN FREIGHT RATE STRUCTURE:

7 In past years, there have been many inequities
8 in the freight rate structure although it would appear
9 that an honest and worthwhile attempt is being made
10 to reduce them.

11 The equalization programme helped, however,
12 much still remains which we feel should receive con-
13 sideration from this Commission.

14 Some of these inequities are due to geo-
15 graphic location and volume of traffic in a particular
16 area. However, these do have a bearing on the propor-
17 tion of freight rates borne by the shippers and
18 receivers in the particular area. The first of these
19 is the Bridge Subsidy.

20 Bridge Subsidy:

21 The purpose of equalization of freight rates
22 is clearly stated in the Report of the Royal Commission
23 on Transportation - 1951 (in para. 10, page 127):

24 "It appears that Canada has reached a stage in
25 its development when former methods of making
26 regional rates must give way to a uniform
27 rate structure that, as far as may be possible,
28 will treat all citizens, localities, districts
29 and regions alike."

30 and again in the national freight rates policy, as
stated in Section 336 of the Railway Act:-



"336 (1) It is hereby declared to be the national freight rate policy that, subject to the exceptions specified in subsection (4), every railway company shall, so far as is reasonably possible, in respect of all freight traffic of the same description, and carried on or upon the like kind of cars or conveyance, passing over all lines or routes of the company in Canada, charge tolls to all persons at the same rate, whether by weight, mileage, or otherwise.

(3) The Board may disallow any tariff or any portion thereof that it considers to be contrary to the national freight rates policy, and may require the company, within a prescribed time, to substitute a tariff satisfactory to the Board in lieu thereof, or may prescribe other tolls in lieu of the tolls so disallowed."

Section 319 of the Railway Act, Section 3(a) states:-

"(3) No company shall

(a) make or give any undue or unreasonable preference or advantage to, or in favour of any particular person or company, or any particular description of traffic, in any respect whatsoever."

Under Section 18, Chapter 22, 15-16 George VI, provision is made for the payment out of the Consolidated Revenue Fund of a subsidy to the Canadian Pacific Railway and the Canadian National Railway to maintain their tracks over the so-called "Bridge", and the



1
2 subsidy is in effect returned to those shipping certain
3 classes of freight over the "Bridge" by way of reduced
4 freight rates. The subsidy payment is seven million
5 dollars (\$7,000,000.00) per year.

6 We submit that the application of reduced
7 rates from points in eastern Canada to the Prairie
8 Provinces contravenes the spirit and intent of equaliza-
9 tion, and constitutes an unjust discrimination against
10 shippers in British Columbia shipping to the same
11 territory.

12 The whole purpose of the equalized freight
13 rates programme was to eliminate anomalies such as
14 this, which has been created since equalization of class
15 rates was established.

16 The present situation parallels that of the
17 Manitoba Agreement, in which freight rates were reduced
18 by the application of an assumed or constructive mileage.
19 The Board of Transport Commissioners, when complaints
20 of unjust discrimination were made by British Columbia
21 shippers, ruled in favour of the appellants. Ruling on
22 the Equalization Case, the Board, in its judgment
23 Volume XLIII, No. 23(a) dated March 1st, 1954, states:-

24 "We consider that the basing of class rates on
25 so-called 'constructive mileages', or
26 assumed or fictitious mileages (other than
27 average route mileages or 'key point' mileages
28 specified herein) is not in accordance with
29 the principles of equalization and it is not
30 our intention that it be permitted once the
31 Class Rate Scale comes into effect."



1
2 The basic principle herein established should
3 apply just as much in cases of discrimination by way
4 of reduced rates under Bridge Subsidy reductions as
5 it does in reduced rates under constructive mileages.

6 While it is true that British Columbia
7 shippers obtain the same advantage of the Bridge Sub-
8 sidy reductions when shipping over the "Bridge" as
9 eastern Canada, an economic advantage to eastern Canadian
10 shippers exists by the geographical location of the
11 "Bridge".

12 If the principle of a "Bridge" is accepted,
13 then it is our submission that the bridge principle should
14 apply equally across Canada. The unproductive areas
15 in western Canada should be treated in the same fashion
16 as are the unproductive areas in eastern Canada, at
17 least to the extent that shippers from British
18 Columbia can secure the same relative freight costs for
19 equal distances equivalent to that of eastern shippers.

20 It should be possible for a shipper in
21 Vancouver to ship to Brandon at the same rate which
22 an eastern shipper is charged in shipping to the same
23 point, since Brandon represents an approximate equal
24 distance from both shipping centres.

25 The equalized rate scale, as ordered by the
26 Board of Transport Commissioners, was based on a Waybill
27 Study which included merchandise shipped over the "Bridge"
28 at rates which included, as stated on page 253 of the
29 Report of the Royal Commission on Transportation,
30 "relatively high freight charges on the through traffic
passing over this 'Bridge' between the two areas". This



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2 being the case, British Columbia shippers are not only
3 paying higher rates into the Prairie Provinces than
4 the eastern Canadian shippers, because of the impact
5 of the Bridge Subsidy reduction to that territory, but
6 are also paying, along with other shippers, equalized
7 rates which were based on a weighted average which
8 included rates which were at the time of the Study
9 "relatively high", and which have since been reduced to
10 eastern shippers. We do not suggest that the subsidy
11 be discontinued if it is found necessary in the national
12 interest. What we do object to is the granting of an
13 economic advantage to one part of the country or to one
14 group of shippers over another by way of reduced freight
15 rates to a competitive market.

16 2. OBLIGATIONS AND LIMITATIONS IMPOSED UPON
17 RAILWAY BY LAW OR REASON OF POLICY:

18 Crow's Nest Pass Agreement Rates:

19 The fact that freight rates on commodities
20 other than grain and grain products are inflated to
21 offset railway losses in the handling of export grain
22 under the Crow's Nest Pass Agreement Rates, has been
23 confirmed by some members of the Board of Transport
24 Commissioners for Canada and by the Vice-President of
25 the Canadian Pacific Railway Company. Mr. George F.
26 Buckingham, Vice-President, C.P.R., stated in an
27 article in the "Sea Ports and Transport World", May,
28 1959 issue -

29 "If the railways are to give the shipping
30 public the efficient transportation service to
which they are entitled and which they expect,



1
2 they must receive sufficient revenue to enable
3 them to do so. Being compelled, as they are,
4 to carry the largest single volume of traffic,
5 the western grain crop, at unremunerative rates,
6 the deficiency in the railway's revenue must, if
7 it can be done, be made up from other traffic."

8 Commissioner M. B. Chase, in making supplementary
9 remarks respecting the 19% freight rates increase case,
10 B.O.T.C. Order Number 96300, November 17th, 1958,
11 stated:

12 "I feel the time has arrived for the Board to
13 bring to the attention of all concerned and in
14 particular the Government of Canada, the serious
15 situation confronting this Board with respect
16 to its duty to maintain 'just and reasonable'
17 freight rates."

18 " 'Just and reasonable' must be interpreted
19 to mean just and reasonable to both the public
20 and the railways. This being so, then having
21 regard to the serious distortions in the
22 freight rate structure the Board is finding it
23 increasingly difficult to perform its duty,
24 viz., to maintain 'just and reasonable freight
25 rates', principally because it is unable to make
26 any change in the so-called 'Statutory Rates'.
27 In this case, as in a number of previous cases,
28 increases in freight rates can only be
29 effectively applied to some segments of the
30 freight traffic."



Elmer, dir.
(Brazier)

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2 Commissioner Chase then referred to the dis-
3 cussion he held with Mr. Emerson of the Canadian Pacific
4 Railway, while Mr. Emerson was in the witness box.
5 Commissioner Chase was endeavouring to ascertain whether
6 the one-half cent per ton mile revenue shown by the
7 waybill analysis as the revenue derived from the hauling
8 of grain and grain products was compensatory. The
9 evidence as outlined on Page 32 and 33 of the Board of
10 Transport Commissioners for Canada - Judgments, Orders
11 Regulations and Rulings, Volume XVIII No. 16A, was to
12 the effect that the railways are actually losing money
13 on the hauling of the grain and it follows that such
14 losses are recouped in part by charging higher than
15 necessary rates on commodities other than grain products.

16 Commissioner Chase then says:

17 "Turning back to my question, 'What is the
18 solution', I think the answer is that
19 Parliament should find some means whereby the
20 railways would be fairly compensated for the
21 movement of grain and grain products in Western
22 Canada carried at statutory and related rates
23 and thereby reduce the amount or avoid the
24 necessity of increases in freight rates on
25 other commodities."

26 Mr. Donald Gordon, President, Canadian National
27 Railways, in answering questions during the sessional
28 committee on railways, airlines and shipping, Monday,
29 May 4th, 1959, stated:

30 "I have no hesitation in saying that I go
along with the position that the Crow's Nest



1
2 Pass rates are unrealistic rates in the light
3 of present day costs. But that is a general
4 statement which should be proven. I think
5 there should be work done on it."

6 Mr. Fisher asked, "You cannot prove it?" Mr. Gordon
7 replied,

8 "Yes, we can prove it, we will be able to prove
9 it when we are asked, because we have for some
10 time been engaged in a detailed study of what is
11 involved in the cost of the movement of grain
12 under the Crow's Nest Pass Rates."

13 The selling of grain in world markets is a
14 marketing problem, not a transportation problem and no
15 carrier should be compelled to maintain unrealistic rates
16 on any given commodity then have to charge higher rates on
17 other goods to make up for low rates forced on them by
18 statute. If it is in the national interest that Canadian
19 grain be sold in the world markets and in order to sell
20 that grain a subsidy is required to maintain a price
21 at coast ports, then the subsidy should be paid from
22 consolidated revenue and borne by every person in Canada.

23 Both the Canadian National and the Canadian
24 Pacific Railways have made exhaustive studies on the
25 Crow's Nest Pass Rates and should be able to establish
26 just and reasonable commodity rates on export grain
27 giving greatest weight to "cost of service". The
28 justice and reasonableness of such rates could then be
29 confirmed by the Board of Transport Commissioners. The
30 difference between such established rate and the
existing Crow's Nest Pass agreement rates would provide



1
2 the basis for the subsidy.

3 3. THE POSSIBILITIES OF ACHIEVING MORE
4 ECONOMICAL AND EFFECTIVE RAILWAY TRANSPORTATION:

5 The two main railways are doing much towards
6 modernizing their transportation systems but can only
7 move as fast as their financial situation will allow.
8 An acceleration of the modernization programme appears
9 desirable. One way to assist the railways would be
10 on a capital loan basis at low interest rates with
11 moneys loaned or guaranteed by the Federal Government.

12 Obsolete Services:

13 More consideration should be given to the
14 abandonment of uneconomic or obsolete services,
15 particularly where the traffic has dropped to a point
16 where such services are no longer warranted but are
17 kept in operation because of some minority pressure
18 group. The usual argument against the abandonment of
19 services is that a community would not be properly
20 served by a competitive form of transportation or that
21 it might be isolated during certain times of the year.
22 However, with the type of maintenance equipment now in
23 use, there are very few places which are isolated for
24 any period of time by roads being closed due to
25 weather conditions. The possibility of service by
26 railway owned trucking lines would certainly be a
27 factor in the services provided by any private trucking
28 company.

29 Uneconomical and wasteful duplication of
30 services should be avoided as far as possible. There
could be a better co-operation between the railway lines



1
2 in terminal services in the larger cities. For
3 example, there are five railway lines serving the greater
4 Vancouver metropolitan area and it is not unusual for
5 carload shipments to be handled by three separate railway
6 lines inside a relatively small area. A fact finding
7 committee should be set up on a high governmental
8 level to ascertain where economies can be effected by
9 elimination of duplication in switching services in
10 the larger areas and more co-operation between the
switching lines.

11 4. ASSETS AND EARNINGS OF THE RAILWAY COMPANIES
12 IN BUSINESSES AND INVESTMENTS OTHER THAN RAILWAYS:

13 During the hearings of the Rate Base-Rate of
14 Return Case, the Board of Transport Commissioners arrived
15 at a "requirements formula" which has appeared to be a
16 satisfactory measure in assisting the Board to
17 judge the reasonableness of freight rates. While the
18 Board of Transport Commissioners should keep in mind
19 the land and other grants given to the Canadian Pacific
20 Railway, transportation rates should, as far as possible,
21 stand on their own feet and come closer to the cost of
22 service principle in the making of railway freight
23 rates. If the Canadian Pacific Railway Company is to
24 remain as the "yardstick" then any profits or losses
25 from other than railway operations should not be taken
26 into consideration, as, if they were and the C.P.R.
27 railway rates were reduced thereby, the Canadian
28 National Railways would, in order to be competitive, be
29 compelled to reduce their rates to the same level. This
30 could quite conceivably result in a deficit in Canadian



1
2 National operations, which would have to be met by the
3 taxpayer of Canada. The users of the transportation
4 service should be willing to pay for that service.

5 5. OTHER RELATIVE MATTERS AFFECTING RAILWAY
6 FREIGHT RATES:

7 Motor Carrier Competition:

8 In the four Provinces, British Columbia,
9 Manitoba, Quebec and Saskatchewan, where intra-provincial
10 motor carrier rates are controlled, there is a reasonable
11 amount of stability in the motor carrier industry.
12 However, there is a need for more co-operation between
13 the Provinces in the matter of rate control on inter-
14 provincial traffic, or a strict control by a central
15 federal agency.

16 The Royal Commission on Transportation in
17 1951 came to the following conclusion with respect to
18 motor carrier competition.

19 "The losses occasioned to the railways by
20 motor trucks result partly from traffic
21 diverted to the latter and partly from the
22 granting of competitive rates by the rail-
23 ways in order to retain as much of the
24 traffic as possible. The Railway Association
25 of Canada estimates that at least \$50 million
26 is being lost annually by the railways as a
27 direct result of reductions made in freight
28 rates (competitive rates) intended to retain
29 some of the traffic

30 The effect of these losses in railway revenues
is to throw a heavier rate burden upon the



1
2 traffic which is non-competitive, that is
3 long-haul and low-valued traffic. This
4 burden is borne especially by those sections
5 of the country, such as the Prairie
6 Provinces, where truck competition is very
7 much weaker than in Central Canada ...
8 It is evident that ... motor vehicles, mostly
9 under provincial control, constitute a most
10 serious form of competition to the railways.
11 It also seems likely that this competition
12 will increase in strength with the progress
13 made in highway development. It must be
14 borne in mind, in relation to this question
15 of highways traffic, that the trucks are not
16 to be considered as providing merely a form of
17 unfair competition to the railways. The
18 trucking industry has a useful part to play in
19 transportation. A large part of its business
20 is applied to the hauling of traffic which would
21 not go to the railways in any event."

22 Entry into the inter-provincial trucking field
23 is reasonably easy and in many cases, the motor carrier
24 has quoted unrealistic rates and has hauled merchandise
25 at these rates only to find out eventually, that they
26 are uneconomical. However, in the meantime, the
27 railways have met these uneconomical rates and are left
28 with unduly depressed competitive rates, established to
29 meet competition which can no longer exist at the quoted
30 rates.

While shippers may gain a small temporary



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2 advantage by reason of such rate cutting practices,
3 stability in the transportation industry both in rates
4 and services are far more important in the overall
5 picture always provided the rates are such as to enable
6 the goods to move.

7 Free flow of goods and passengers between all
8 segments of Canada is vital. Regulations which will
9 achieve the maximum freedom of movement of traffic while
10 retaining overall control in the interests of the
11 shipping public are necessary.

12 Inter-provincial motor carriers should be
13 controlled by a Central Federal Agency so that a
14 degree of stability will be reached which will not
15 only eliminate the uneconomical rate wars which usually
16 result in the motor carrier being unable to continue
17 his operation and are not in the public interest but
18 ensure a satisfactory reliable service available to
19 all shippers.

20 Respectfully submitted, VANCOUVER BOARD
21 OF TRADE.

22 THE CHAIRMAN: Thank you.

23 MR. BRAZIER: Q. Is there anything else
24 you wish to add?

25 A. Nothing at all.

26 CROSS-EXAMINATION BY MR. CUMMING:

27 Q. Perhaps if the witness sat down he
28 would find it more comfortable, Mr. Chairman.

29 Can you hear me all right from here, Mr.
30 Elmer?

A. Yes.



1
2 Q. On the first page of your brief, Mr.
3 Elmer, you refer under the first title to the inequities
4 which existed in past years, and you say that,

5 "An honest and worthwhile attempt is being
6 made to reduce them."

7 Now, I wonder if you would be good enough for the
8 benefit of the Commission to give us some examples of
9 these past inequities to which you refer, and the steps
10 that have or are being taken to remove them.

11 A. Yes. One would be the amount in differ-
12 ential which used to apply on goods travelling to and
13 from the Pacific Coast and which has now been eliminated.

14 Then, there was the old basis of freight
15 rate making which used to be in Eastern Canada, and
16 first class was 200 per cent of fifth class, while in
17 Western Canada first class was 200 per cent of fourth
18 class. This has now been eliminated.

19 The equalization programme has done much
20 towards eliminating a lot of the anomalies.

21 Q. Has the equalization programme been of
22 any particular help in British Columbia?

23 A. It has helped in some cases, I would
24 say.

25 Q. Would you say that it had measured up
26 to what was expected of it?

27 A. No, I don't think I would say that.

28 Q. You think it has fallen short of that?

29 A. Yes.

30 THE CHAIRMAN: Then, there is such a thing
as the mountain differential; at one time it was



1
2 claimed to be an inequity.

3 THE WITNESS: Yes. I mentioned that one;
4 that was the first one I mentioned.

5 MR.CUMMING: Q. Going on over now to the
6 fourth page in the last part of the quotation there
7 from the Judgment of the Board in the equalization
8 case; you quoted there with the part dealing with
9 assumed and fictitious mileages.

10 Now, so that we may understand your position,
11 do you suggest that fictitious or assumed mileages
12 should be eliminated completely from the freight rate
13 structure.

14 A. Yes, we agree with that practice.

15 Q. Now, what about the situation in regard
16 to movements from the A and B territories; would you
17 say that rates westbound from Montreal should be the
18 same as those from Toronto? Isn't there some
19 element of assumed mileage in that rate grouping?

20 A. There is an element of assumed mileage;
21 I was trying to recall the Board's position in that
22 rate case, and as I recall it, they stated it was more
23 appropriate to be applied to the individual rates from
24 each point, although a certain grouping would always
25 be necessary, and we would like to see some type of
26 grouping from Western Canadian points.

27 Q. Although you wouldn't suggest as a
28 matter of general principle that assumed mileages
29 should be eliminated; it is modified to some extent
30 by the desirability of groupings.

A. The desirability of grouping in shorter



1
2 distances, and longer range assumed mileages should
3 certainly not be.

4 Q. Do you have any views on the constructive
5 mileage for the water movement that exists between the
6 mainland and Vancouver Island?

7 A. No, we don't mention that in our brief,
8 sir, at all.

9 Q. Should that be continued or ...

10 A. I am sorry, our Committee did not discuss
11 that and it is not included in our brief.

12 Q. And you take no position on it?

13 A. No.

14 Q. Now, dealing for the moment, then,
15 with the question of the bridge subsidy, you speak
16 of the principle of bridge subsidy and, as I understand
17 it, that was suggested by the Turgeon Commission as
18 what might be described as a temporary solution to an
19 existing condition.

20 Do you suggest, Mr. Elmer, that it is the
21 view of the Board of Trade that there should be a
22 subsidy of that sort wherever there is an unproductive
23 region trafficwise?

24 A. It is our view that there should be no
25 discrimination as between the territories; it is put
26 out in one section and it is unproductive, and then
27 in other unproductive sections you have the same
28 treatment. It is either that or do away with the
29 bridge subsidy entirely.

30 Q. Are there areas in British Columbia in
respect of which you would suggest there should be a
subsidy like the bridge subsidy?



1
2 A. I would say there are certainly some
3 unproductive areas in British Columbia; you can start
4 from Revelstoke east to -- I was going to say Calgary,
5 but it can be west of that, and at least to Banff it
6 is completely unproductive.

7 Q. Does the Board of Trade think there should
8 be another bridge subsidy for that area?

9 A. We would say that if they are going to
10 maintain a bridge subsidy in Eastern Canada, then they
11 should give us a bridge subsidy on that unproductive
12 area in Western Canada to equalize our position with
13 that of the Prairie Provinces.

14 Q. Your first suggestion is that it should
15 be eliminated completely?

16 A. Yes, should be eliminated, right.

17 Q. You say in the second last paragraph on
18 page 4,

19 "It should be possible for a shipper in
20 Vancouver to ship to Brandon at the same rate
21 which an eastern shipper is charged in shipping
22 to the same point, since Brandon represents an
23 approximate equal distance from those shipping
24 centres."

25 The eastern shippers' advantage to the
26 Brandon market is because he gets the benefit of the
27 bridge subsidy.

28 A. That is right. We are talking there
29 about your basic class rates; they should be the same.

30 Q. You have, perhaps, anticipated what I
was going to ask you next, because I was going to put



1
2 this to you; assuming that there was a truck com-
3 petitive rate established from Toronto to Brandon and no
4 similar competitive rate from Vancouver to Brandon, then
5 the truck competitive rate, Toronto to Brandon, would,
6 of course, not qualify for the bridge subsidy and yet
7 would be a lower rate rate than the rate from Vancouver
8 to Brandon.

9 Would you carry this principle on that you
10 set out in the paragraph which I read to you to the
11 point that even under these circumstances the Vancouver-
12 Brandon rate would come down to the Toronto-Brandon rate.

13 A. No, we would say that the railways
14 should be able to meet the motor carrier competition,
15 provided their rates are remunerative.

16 Q. Subject to that qualification, you freely
17 accept the competitive position of the railways?

18 A. Yes, the competitive position.

19 Q. Now, dealing with what you say about the
20 equalized rate scale in the following paragraph, you
21 mention that it is based or incorporates relatively
22 high freight rate charges going between the two points,
23 and you go on at page 5 to point out that the British
24 Columbia shippers are paying along with other shippers
25 equalized rates which are based on a weighted average
26 which included rates which were at the time of the
27 study relatively high, and which have since been reduced
28 to the eastern shippers.

29 Now, I just want to read to you from the
30 introduction to the Waybill Analysis, Mr. Elmer, because
I am not sure that I understand what you have to say in



1
2 this paragraph of the brief.

3 In the Waybill Analysis, there is set out a
4 description of the way that study is made.

5 MR. BRAZIER: Which year is that?

6 MR. CUMMING: I have the 1958 one, Mr.
7 Brazier.

8 Q. The Waybill Analysis for that year
9 says,

10 "The revenues from traffic carried between
11 Eastern and Western Canada over the 'bridge'
12 territory in northern Ontario have been
13 adjusted to include the bridge reduction
14 applicable. The railways are reimbursed
15 by the Canadian Government for the amount of
16 reduction. The 'bridge' subsidy does not
17 apply to grain ... "
18 and so on.

19 Is that consistent with what you say about
20 the equalized rate scale?

21 MR. BRAZIER: If you don't mind waiting a
22 minute until we get it.

23 MR. CUMMING: Yes.

24 MR. BRAZIER: We have copies of that now.

25 MR. CUMMING: Q. Yes.

26 A. We are quoting there from the report of
27 the Royal Commission on Transportation, the way they
28 have stated that; that the rates shipped over the
29 bridge get into relatively high rates. The rates upon
30 which the bridge subsidy were based, as I recall it, were
in effect before this equalization programme was completed.



1
2 Q. I see. I was under the impression from
3 some instructions that I had that that part I read you
4 from the Waybill Analysis would indicate that the
5 equalized rates were not based on a weighted average,
6 as set out in your brief, but did take into account
7 the reduction for the bridge subsidy.

8 Now, the impression that I may have
9 gained is possibly incorrect, Mr. Elmer?

10 A. I think, sir, in 1958, as I recall, when
11 the equalization programme came into effect, that the
12 rates were averaged on the class rates right across,
13 at that time, regardless of the bridge subsidy. They
14 were based on the considered class rates and what they
15 are saying here, as I understand it, is that the bridge
16 subsidy is taken out in these particular figures they
17 are showing.

18 Q. But not accounted for in the equalized
19 scale?

20 A. Not accounted for in the equalized scale.
21 That is the way I understand it.

22 Q. Going on, then, to another matter,
23 Mr. Elmer, on page 7, near the bottom of the page.
24 You say, in the last paragraph:

25 "The selling of grain in world markets is a
26 marketing problem, not a transportation
27 problem ... "

28 Can you tell us, sir, do you know of any other grain-
29 growing regions which are supplying grain, marketing
30 grain in the world markets that are as remotely located
from tide water as the Canadian prairies?



1
2 A. I'm afraid I couldn't answer that from
3 personal knowledge, no. We are talking here strictly
4 about the Prairie market.

5 Q. We hear a good deal before this Commission
6 that their problem is not merely a marketing problem but
7 also a transportation problem, because of their long
8 hauls to tide water. And I was wondering whether or
9 not when you made this statement you had in mind any
10 other grain-growing areas in the world which might be
11 comparable in that regard?

12 A. Our point is that it is the price at
13 which you must sell the wheat in the world markets
14 which is the governing factor, not the cost of the
15 transportation, but the final cost at which you must
16 sell that wheat in the world market. That is the
17 governing factor.

18 Q. On the next page, you go on to suggest
19 that it is the view of the Vancouver Board of Trade
20 that there should be a subsidy paid from consolidated
21 revenue in connection with these grain rates.

22 What I would like to ask you is, does the
23 Board of Trade have any views as to how that subsidy
24 should be paid; that is to say, should it be a subsidy
25 paid to the railways or one paid to the farmers?

26 A. We do not, and I would like to qualify
27 this, too, by saying, sir, that we do say that if it
28 is found in the national interest that grain should be
29 sold on the world market, then a subsidy should be paid.

30 Q. I see. There is that qualification.
Do you have any views as to whether or not it is in the
national interest, then?



1
2 A. We do not. We think that is the duty
3 of the Commission or some other body to find whether it
4 is or is not in the national interest. And if it is,
5 then, to find out how a subsidy should be paid --
6 whether to the railways or to the farmers.

7 Q. The Board of Trade takes no position on
8 the basic issue?

9 A. No, they do not.

10 Q. Dealing ...

11 A. Pardon me. May I ask what you mean by
12 the "basic issue" on that?

13 Q. The basic issue as to whether or not this
14 is in the national interest. That is what you say you
15 leave to the Commission to decide, or some other body?

16 A. Yes.

17 Q. Now, in dealing with the level of rates
18 in the next paragraph, you say that the greatest weight
19 should be given to cost of service.

20 Is it the view of the Board of Trade that that
21 principle, if I may call it that, of cost of service
22 should be one of general application in rate-making, or
23 are you dealing with this solely with reference to grain?

24 A. We are dealing solely in reference to
25 this paragraph with the Crow's Nest Pass rates on grain.

26 Q. I ask whether you think it should go beyond the
27 matter of grain rates.

28 A. I'm sorry, I can only answer for what is
29 in this brief, which has been discussed by the Committee
30 and Board of Trade.

THE CHAIRMAN: I think, Mr. Cumming, it has



1
2 been mentioned that this Commission can't decide.
3 This Commission can only recommend. Parliament must
4 decide.

5 MR. CUMMING: Perhaps I assumed an extension
6 of the Commission's jurisdiction and maybe I led Mr.
7 Elmer in that same thought.

8 MR. CUMMING: Q. On page 8, again, Mr.
9 Elmer, under heading 3, you make the suggestion that
10 one way to assist the railways would be on a capital
11 loan basis at low interest rates with moneys loaned or
12 guaranteed by the Federal Government.

13 Is that something that you would suggest
14 should apply only to the railway businesses -- that is
15 to say, should they be unique among business enterprise
16 in getting that sort of financial assistance from the
17 government sources?

18 A. I don't think we say that, or go into
19 that. We merely state that this would be one way of
20 assisting the railway company to overcome some of their
21 problems.

22 Q. Do you go beyond suggesting that as one
23 possible way? Do you recommend that that would be a
24 good way?

25 A. We do not. We just say it should be
26 looked at.

27 Q. I see.

28 On page 9, you refer to the question of
29 duplication of service. You mentioned that there are
30 five railway lines serving Greater Vancouver Metropolitan
Area. Would you tell the Commission what those lines



1
2 are?

3 A. Well, I hesitate to say these in any
4 particular order.

5 MR. CUMMING: I don't think my friends
6 across the way would be affronted by any order.

7 THE WITNESS: The Canadian Pacific Railway,
8 the Canadian National Railway, the Pacific Great Eastern
9 Railway, the B.C. Electric, the Greatern Northern
10 Railway.

11 MR. CUMMING: Q. And you recommend steps
12 should be taken to prove the co-operation existing between
13 them, particularly in matters of switching. If such
14 co-operation is not forthcoming, does the Board hold
15 the view that it should be made mandatory in some way
16 or other?

17 A. We have made no recommendation on that
18 in this brief. We just say that this should certainly
19 be the study of a very high level Committee. This is
20 a problem which has been going on for some time in
21 Vancouver, about which we have been trying to do some-
22 thing, without any success. We were hoping this
23 Commission would recommend that some high level
24 government body would look into the entire problem and
25 find out what the facts really are.

26 Q. Do you think that that recommendation
27 should, shall I say, have some teeth in it?

28 A. Well, we would hope so.

29 Q. Even to the point of making inter-
30 railway co-operation mandatory? Would you go that far,
or would you think it should go that far?



1
2 A. I would say if it is found in the
3 interests of the shipping public and the railways that
4 it be made mandatory, then, yes.

5 Q. Now, the next question, under the matter
6 of assets and earnings. You say that the Board of
7 Transport Commissioners should keep in mind the land
8 and other grants given to the Canadian Pacific Railway.
9 I'd like you to explain to the Commission, if you would,
10 Mr. Elmer, just what you mean when you say that the
11 Board should keep these in mind.

12 What I mean is, here, should those grants,
13 the land and other grants which you mention, have any
14 effect in rate making, or be given any effect in
15 rate making?

16 A. We don't feel that they have any
17 serious effect in rate making. When we are talking
18 about land grants here, the question comes up of the
19 revenues derived from the granting of those lands.
20 We say that the revenues derived from the granting of
21 those lands should not be taken into consideration in
22 the making of railway freight rates. We could draw
23 the parallel, here, I think, that other types of
24 carriers, such as the motor carriers -- I don't
25 think anybody would suggest that all the revenues
26 derived from a storage operation of a motor carrier
27 should be used to reduce his motor carrier freight
28 rates.

29 Q. If those revenues are not to be taken
30 into account in rate making, then what effect is to be
31 given by the Board of Transport Commissioners to these
32 grants when they keep them in mind, can you suggest?



1
2 A. I don't think I know. I think we would
3 just say it is something that should always be kept in
4 mind that there were these grants, and if they could be
5 used -- you must remember that these were given to the
6 railways in the years gone by to establish a public
7 service. That is all we are trying to state there.

8 Q. I see. But you do not suggest -- I
9 just want to understand your position -- you do not
10 suggest that any of the revenues coming from those
11 grants should have any effect or should be taken into
12 consideration by the Board of Transport Commissioners
13 in rate making?

14 A. Well, they should not bear any great
15 weight. I think they are taken into account in require-
16 ments formula laid down by the Board, which seems to be
17 working fairly well today.

18 Q. But beyond that -- you would draw the
19 line at that?

20 A. That's right.

21 Q. Going into the next page, to the question
22 of motor carrier competition, you say there are four
23 provinces where inter-provincial motor carrier rates
24 are controlled.

25 Would you, for the benefit of the Commission,
26 tell us in which four provinces the inter-provincial
27 carrier rates are controlled?

28 A. The inter-provincial motor carrier rates
29 are not controlled in any provinces. We are talking
30 about the "intra", within the provinces.

Q. Oh, I'm sorry.



1
2 A. And those four provinces are British
3 Columbia, Manitoba, Quebec, and Saskatchewan, it is
4 my understanding, at the present time.

5 Q. To what extent are these rates controlled
6 in British Columbia?

7 A. They are controlled very well, I believe,
8 in British Columbia. We recently had a case about
9 a month ago where one carrier had its licence cancelled
10 for cutting rates below his tariff rate.

11 Q. And you say that there is a reasonable
12 amount of stability in the motor carrier industry.
13 Can you tell us just what you mean there?

14 A. May I go back to this other, sir. The
15 carrier who had his licence -- I shouldn't say completely
16 cancelled. They were suspended, not cancelled. They
17 were suspended for a period of time, and he was one
18 of the larger carriers in the Province of British
19 Columbia. I'm sorry. I wanted to make that clear.

20 What was the other question?

21 Q. I wanted you to explain to the Commission
22 what you mean by a reasonable amount of stability in
23 the motor carrier industry?

24 A. Well, you do not have quite the serious
25 rate-cutting wars that you do have with the inter-
26 provincial rates. The shipper or receiver has a
27 reasonable knowledge of what his freight rates are
28 going to be today and tomorrow and the day after,
29 where the rates are controlled.

30 Q. I see. And on the other hand, do you
find a more or less chaotic position existing where



1 controls of that sort do not apply?

2 A. That is right.

3 Q Going on to the next page, about the
4 middle of it, you are dealing with the question of trucks
5 and rail competition, and you say,

6 "... in the meantime, the railways have met
7 these uneconomical rates and are left with
8 unduly depressed competitive rates, established
9 to meet competition which can no longer exist
10 at the quoted rates."

11 Could you give us some examples of the situa-
12 tion that you described generally in that part which I
13 read to you?

14 A. Well, rather than giving examples, I
15 would like to say that this must be fact because I have
16 before me a circular, No. 283, of the Board of Transport
17 Commissioners, wherein the railways are requesting
18 permission to amend or cancel their competitive rates
19 on less than thirty days notice in order to meet
20 changing competitive conditions. I think that tells
21 us right there that these conditions do exist.

22 Q. Apart from that, you have no specific
23 instances in mind?

24 A. There are numerous ones that have actually
25 happened, but I would hesitate to give actual names,
26 because many of them are members of the Board, and we
27 cannot name names here, sir.

28 Q. I see.

29 When you suggest on the next page that inter-
30



1 provincial motor carriers should be controlled by a
2 central federal agency, is it the view of the Board of
3 Trade that this should be done by the Board of Transport
4 Commissioners, or do you think that a separate regula-
5 tory tribunal should be set up to deal with inter-
6 provincial trucking?

7 A. We are still discussing that in the Board
8 of Trade, and have not made it policy on that at the
9 moment.

10 MR. CUMMING: Thank you, Mr. Elmer.

11 THE CHAIRMAN: Mr. Hume?

12
13 CROSS-EXAMINATION BY MR. HUME:

14 Q. Mr. Elmer, my name is Fred Hume, and I
15 am representing the Canadian Trucking Associations, and
16 I have just one or two points.

17 First of all, may I congratulate you on the
18 unanimity of your Board of Trade, when I read in the
19 opening paragraph that this was approved by all these
20 various Committees. As Chairman of the Legislation
21 Committee of the Board of Trade of Metropolitan Toronto,
22 I am aware of the difficulty in getting people to approve
23 briefs, and getting all the views correlated.

24 If you turn to page 9 of your brief, my first
25 question is merely to ask you what you mean by the
26 first complete sentence on the top of the page, dis-
27 cussing abandonments and re-arrangements of services,
28 and you say:

29 "The possibility of service by railway-owned
30 trucking lines would certainly be a factor in



1 the services provided by any private trucking
2 company."

3 I interpret that, sir, as being that the
4 threat of the railway entry into an area would keep the
5 private trucking concern on its toes. Have I inter-
6 preted your meaning correctly?

7 A. That is it.

8 Q. Page 10, sir. In discussing with my
9 friend, Mr. Cumming, with respect to the Provinces where
10 intra-provincial motor carrier rates are controlled, I
11 think in order to complete the picture I might ask you
12 this: in two of the four provinces that you mention,
13 namely, in the Province of British Columbia and in the
14 Province of Quebec, the carrier sets the rates, then
15 files those rates with your regulatory authority; and,
16 having filed the rates, the rates cannot be changed
17 without the consent of the authority. And, in the
18 other two provinces, namely, Saskatchewan and Manitoba,
19 the provincial regulatory authority sets the rates.
20 Am I not correct in that?

21 A. That is my understanding of it. I would
22 add that the rates in British Columbia, as set and filed
23 by the carriers, must be remunerative rates.

24 Q. Well, I suppose so, Mr. Elmer, because,
25 being private industry, if they were not remunerative
26 they would go bankrupt; wouldn't they?

27 A. That is right.

28 Q. So the rates the carrier sets would nor-
29 mally be based upon his expectation that they would,
30 in his overall operations, make a profit?



1 A. Correct.

2 Q. And having filed those rates, he cannot
3 change them? Is that correct?

4 A. He cannot change them without the authori-
5 ty, in British Columbia, of the Public Utilities
6 Commission.

7 Q. If a carrier files a rate in British
8 Columbia between Point A and Point B, and then the
9 railways put in a competitive rate below that, the
10 carrier cannot file an automatic competitive rate without
11 permission of your regulatory authority. Is that
12 correct? Am I right in that?

13 A. That is right.
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1 Q. So, to that extent, the motor carrier is
2 not free to quote competitive rates in British Columbia
3 unless it is on intra-provincial operations?

4 A. That is right, on intra-provincial.

5 Q. Then, in inter-provincial rate control,
6 let me tell you so there is no misunderstanding, it is
7 the policy of the people I represent that they request
8 and would like to have some sort of inter-provincial
9 rate control. You say there is need for more co-
10 operation between the provinces in the matter of rate
11 control on inter-provincial traffic. Was the Board of
12 Trade aware that the matter of inter-provincial traffic
13 is a federal matter and not a provincial matter, and the
14 measure of control between the provinces has not got very
15 much to do with that?

16 A. We are aware of that, and we are also
17 aware that the federal authorities threw it right back
18 to the provinces to control it. They refused to take
19 responsibility.

20 Q. And they passed the Motor Vehicle Transport
21 Act which constituted your Provincial Board in British
22 Columbia a Federal Board for whatever controls you wanted
23 to impose?

24 A. That is correct.

25 Q. I am sorry, I am not aware of the name of
26 the Board here?

27 A. The Public Utilities Commission.

28 Q. So that the Public Utilities Commission of
29 British Columbia can decide on a matter of inter-provincial
30



1 rate control, acting as a Federal Board for that purpose?

2 A. They are, only in so far as the motor
3 carriers operating in British Columbia on inter-
4 provincial rates. As soon as he crosses the border
5 into Alberta, the British Columbia Board has no control
6 over the rates from here to, say, Winnipeg.

7 Q. And this is something which, as I under-
8 stand from your answers, that the Board of Trade here
9 would like to see stabilized and changed?

10 A. That is right.

11 Q. In your quotation which you give from
12 the Turgeon Report in 1951, I notice in the last clause
13 at the bottom of page 10 where Mr. Justice Turgeon and
14 his colleagues spoke about the fact --

15 "Where truck competition is very much weaker
16 than in Central Canada":

17 would you agree that in the intervening ten years the
18 situation has very drastically changed in Western
19 Canada with respect to the growth of motor carrier
20 competition?

21 A. I would agree it has changed considerably.

22 Q. And that, as a matter of fact, as I am
23 instructed and interpret the brief of your province, the
24 order in which the provinces occur in population or
25 strength of industry is, first of all, Ontario; second,
26 Quebec; third, Alberta; and fourth, British Columbia.
27 That appears in your provincial brief, and it comes from
28 the 1957 estimates of the D.B.S. figures. It appears
29 on the for hire trucking on page 59 of the provincial
30



1 brief, where they show the total mileage and the net
2 ton miles, and they are in order of strength, as I under-
3 stand the table, and I see that British Columbia appears
4 fourth. There is some change, then, in the relative
5 situation in that British Columbia, whatever it was ten
6 years ago, is now fourth, and your truck population is
7 increasing, isn't it?

8 A. It is increasing.

9 Q. So that the situation that was under review
10 in 1951 is a somewhat different situation than that
11 which is under review at the present time?

12 A. I think, though, that Mr. Turgeon was
13 talking here about the prairie provinces, and not
14 British Columbia.

15 Q. That is true; he was. However, I am
16 relating that to British Columbia in the sense that
17 there has been a strengthening of the truck population
18 is not as out of balance in 1960 as it was in 1951?

19 A. Right.

20 Q. My last point deals with page 11 where
21 you leave me with the impression, when I read the first
22 paragraph of your brief after the end of the quotation,
23 that it is fairly easy in this province to get into the
24 inter-provincial trucking field. May I ask you whether
25 or not your Public Utilities Commission holds a hearing
26 and requires a certificate of public convenience and
27 necessity in order to enter into the inter-provincial
28 trucking field?

29 A. As far as I know, they do not for inter-
30 provincial traffic.



1 Q. My instructions are -- and maybe Mr.
2 Brazier can help us -- that you require to have a
3 hearing and that the certificate of public convenience
4 and necessity is required before you can start on
5 that?

6 A. I am sorry; I am given to understand
7 they do now require it, but there is no control over the
8 rates.

9 Q. Oh, I realize that, but we are not talking
10 about rates now. One who wishes to go into that sort
11 of business in competition with other long haul carriers
12 must satisfy your Commission that there is a need for
13 that service, and then I suppose, you will agree, they
14 must have the necessary capital to provide the equipment
15 and terminals, and so on.

16 A. Or, be able to have the motor carrier
17 suppliers give them credit for that equipment.

18 Q. And when credit is given, it must be paid
19 for in the end?

20 A. That is right.

21 Q. I am wondering whether or not you are
22 understating the case slightly when you use the words
23 "reasonably easy". This is a matter of interpretation,
24 I know, but it is no easier in British Columbia than it
25 is in any other province?

26 A. It seems to be relatively easy in any
27 province by the number of carriers coming and going in
28 the inter-provincial field. They are changing all the
29 time.
30



1 Q. They are changing all the time in British
2 Columbia?

3 A. Quite often.

4 Q. When I read this over the week-end -- and
5 I have been trying to do a little homework -- I took
6 the longest haul I could find from, say, Vancouver to
7 Ontario and Quebec, and I came across these names:
8 East-West Transport; that is one of the carriers
9 operating?

10 A. That is right.

11 Q. And they have been in business for a few
12 years now?

13 A. Yes.

14 Q. Gill Interprovincial are operating into
15 Ontario from Vancouver, and they have been in business
16 for some years, haven't they?

17 A. Gill Interprovincial no longer operate
18 under that name.

19 Q. Well, Gill-Pix -- it is a combination of
20 Pacific Inland Express and Gill Interprovincial?

21 A. Yes.

22 Q. But the predecessor company -- Gill --
23 has been operating for a dozen years?

24 A. Yes.

25 Q. And Sabre Freight Lines is another well-
26 established carrier running from Vancouver to Ontario?

27 A. Yes.

28 Q. D.S. Scott Transport have been running for
29 over six or seven years, have they not?
30



1 A. That is right.

2 Q. Are there any others that you can tell me
3 that got started in that run and have fallen by the
4 wayside in the last five years, because I could not find
5 any, and I just wanted to see if we could complete this
6 picture? You do not need to name them, sir; you
7 could give me a number. I am not concerned with who
8 they are.

9 A. I am not quite sure of that. I think
10 there have been one or two who have found their opera-
11 tions were uneconomical, and they have consolidated
12 and been bought up by some of the other lines.

13 Q. But, in the last seven or eight years
14 there haven't been any serious bankruptcies involving
15 an inter-provincial carrier running in and out of
16 British Columbia to the east?

17 A. I would like to answer that one about a
18 month from now, sir. We understand there is one now
19 that is very shaky.

20 Q. I take it from what you say there is one
21 now on the verge?

22 A. Getting close to it.

23 Q. Would you say, just examining that
24 paragraph, that the impression -- and I am sure the
25 Board of Trade does not want to leave any impression
26 that is not in accordance with the whole picture --
27 that the impression I got of your first complete
28 paragraph is that you have people getting into the
29 field easily, quoting unrealistic rates, forcing the
30



1 railways to lower their rates, and then falling by the
2 wayside and leaving the railways with competitive rates
3 with no competition. That is the impression I got.
4 May I ask you whether that is the intention of that para-
5 graph?

6 A. This does happen. It does happen; they
7 certainly quote on realistic rates and the railways
8 meet those rates and they are left with them.

9 Q. Are you talking intra-provincial or
10 inter-provincial or all?

11 A. All.

12 Q. On the inter-provincial ---

13 A. Another thing too, sir, you mentioned the
14 truck lines that only go -- they are the long haul
15 right across Canada, but, there are other inter-
16 provincial hauls that operate from here to Alberta and
17 Manitoba.

18 Q. Yes, I understand that. I think I
19 qualified what I said by saying that I took the longest
20 haul -- the one that would appear to be the most
21 difficult to operate, and I know there are a great many
22 others.

23 A. It is also the one where there is the
24 most traffic on the westbound haul.

25 Q. If a trucking line does quote an unrealis-
26 tic rate and goes out of business, then the railways are
27 committed and, in fact, do eliminate their competitive
28 rates, do they not? If the competition is not there,
29 they do not need to keep the competitive rate?
30



1 A. They do on thirty days' notice.

2 Q. Is that what you referred to in the
3 final paragraph -- "uneconomic rate wars"? You are
4 speaking of the situation we have just been discussing
5 in that final paragraph of your brief?

6 A. Yes, and the intra-provincial rates as
7 well.

8 Q. Well, if your rates are controlled in
9 this province, how do you get the uneconomic freight
10 war, if your Public Utilities Commission controls the
11 rates? Do they have no regard to the railways'
12 position, or is there regard purely for the reasonable-
13 ness of the trucker?

14 A. Their regard is purely the reasonableness
15 of the truck rate, regardless of the railways in any
16 area.

17 Q. Are you suggesting they might consider
18 each province be exhorted in fixing its truck rates to
19 have regard to all transportation agencies?

20 A. No. What we are saying here, in effect,
21 is that sometimes we feel the railways may get stam-
22 peded into meeting rates which they need not meet at
23 times, and we feel they should look much closer at
24 some of these uneconomic rate wars.

25 Q. My last question -- and I have been
26 discussing with you, and you have been answering me
27 strictly from the standpoint of the for hire trucking
28 industry: we must bear in mind that there is a very
29 large movement in Canada between provinces and cities by
30



1 privately-owned truckers where a manufacturer or a
2 farmer, as the case may be, hauls his own goods in his
3 own vehicle?
4

5 A. There are quite a few, yes.

6 Q. And that is true in British Columbia as
7 well as other places in Canada?

8 A. That is right.

9 MR. HUME: Thank you very much.

10 ---A short recess.
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1 CROSS-EXAMINATION BY MR. DICKSON:

2 Q. Mr. Elmer, my name is Brian Dickson and
3 I represent the Northwest Lines Elevator Association.

4 There are one or two points that I would like
5 to discuss briefly with you which you wrote in this
6 brief which has been submitted on behalf of the Vancouver
7 Board of Trade.

8 The first question concerns something appearing
9 at the middle of page 5, where you state,

10 "... freight rates on commodities other than
11 grain and grain products are inflated to
12 offset railway losses in the handling of
13 export grain",

14 and as authority for that you state that that has been
15 confirmed by some members of the Board of Transport
16 Commissioners, and then you refer to statements made
17 by Mr. Buckingham, Mr. Emerson, and others, and when
18 you say,

19 "... some members of the Board of Transport
20 Commissioners for Canada",
21 which members do you have in mind, additional to Mr.
22 Chase?

23 A. I am sorry, I was referring back to the
24 hearings. It seems to me there was a discussion on it
25 at one of the Board hearings.

26 Q. Offhand, you don't know what it is?

27 A. Offhand, I couldn't give you that.

28 Q. Mr. Elmer, you are aware of the fact that
29 the railways have submitted to this Commission in
30



1 October of last year detailed voluminous cost studies
2 on what they consider to be the position of the costing
3 of the movement of export grain.

4 A. Yes.

5 Q. And you are aware that later this spring
6 the Provincial Council and other interested parties are
7 to have the opportunity of examining these figures and
8 these studies and presenting rebuttal evidence; you
9 are aware of that?

10 A. Yes.

11 Q. And these statements to which you refer,
12 I take it, were all made prior to the submittal of
13 these cost studies to the Commission?

14 A. Yes, they were.

15 Q. And would have to be considered in the
16 light of what may come out of those cost studies?

17 A. That is right.

18 Q. Now, at the bottom of page 7, you speak of
19 "low rates forced on them by statutes". What do you
20 have in mind there; what does the Board have in mind
21 there?

22 A. To see that no carrier should be com-
23 pelled to maintain unrealistic rates on any given
24 commodity and then have to charge higher rates on
25 other goods to make up for low rates forced on them
26 by statute.

27 What we are saying is if any low rates,
28 unremunerative rates are forced on the railways by
29 statute, then the carrier should not be compelled to
30



1 maintain such rates, and the shippers of goods, other
2 than goods shipped on those unrealistic rates, to make
3 up the difference.

4 Q. When you speak of low rates forced by
5 statute, the statute you are speaking of is the 1925
6 legislation.

7 A. We are talking about any kind of statute
8 here.

9 Q. As far as the export grain rates are con-
10 cerned, does your paragraph have reference to grain
11 rates?

12 A. If you talk of grain rates, it would
13 have -- if unremunerative rates on grain were forced
14 on the railways by statute, then we say that shippers
15 of goods other than grain should not be paying higher
16 rates to make up for any losses which might be sus-
17 tained on that traffic.

18 Q. And you well recognize in speaking of
19 export grain rates, that there is in the background
20 the Crow's Nest Pass Agreement of 1897.

21 A. There is.

22 MR. SINCLAIR: Far in the background.

23 MR. DICKSON: Q. And you still also
24 recognize that as recently as 1938, there was an
25 expression of opinion by the then president of the
26 Canadian Pacific Railway that the Crow's Nest Pass
27 Agreement was a good agreement from the point of view
28 of all concerned.

29 A. I am sorry, I couldn't answer that; I
30



1 don't know.

2 Q. In the middle of page 8, Mr. Elmer, you
3 state,

4 "An acceleration of the modernization programme
5 appears desirable."

6 Does that indicate that it is the opinion of your Board
7 that the railways have not modernized as fast as you
8 feel they should have done?

9 A. We say they can only move as fast as
10 their financial situation will allow.

11 Q Do you think, in fact, that they have
12 modernized, say, at a comparable rate to the American
13 lines?

14 A. I don't know the situation in the
15 American railways.

16 Q. Do you know whether the railways have
17 been shackled in their modernization plans by shortage
18 of funds?

19 A. I don't know that for a fact, but it is
20 our understanding that they have stated this on
21 occasion, that they have been shackled to a certain
22 extent by a shortage of funds.

23 Q. Do you have any particular quotes?

24 A. No, I don't.

25 Q. Then you speak of,

26 "One way to assist the railways would be on a
27 capital loan basis at low interest rates".

28 Now, isn't the granting of a low interest rate in
29 effect a form of subsidy?
30



1 A. Subsidy to whom?

2 Q. The railways, the people who receive
3 the low interest rate.

4 A. I wouldn't say so.

5 Q. How would you define a subsidy, Mr.
6 Elmer?

7 A. A subsidy, in my opinion, is something
8 which is given to someone to offset a loss. We are
9 not talking here of low interest rates, or about
10 giving them the money for anything and somebody else
11 paying for it. We are saying that if they could borrow
12 money at a low interest rate, it would help, and I
13 think anyone would agree with that.

14 Q. Are you suggesting that a grant of money
15 from the Federal Government to the railways be given
16 at what you call low interest rates for modernizing
17 purposes?

18 A. I am not talking about grants; we said
19 a loan.

20 Q. A loan from the Federal Government to the
21 railways for modernization purposes.

22 A. We merely say exactly as the brief states
23 it,

24 "One way to assist the railways would be on a
25 capital loan basis at low interest rates".

26 Q. You wouldn't consider the difference
27 between the normal going rate of interest and this low
28 interest rate as a form of subsidy?

29 A. We are not talking about that at all; we
30



1 are merely making the statement that this would be in
2 the way of assisting the railways.

3 Q. Well then, under "Obsolete Services",
4 you say,

5 "More consideration should be given to the
6 abandonment of uneconomic or obsolete services,
7 particularly where the traffic has dropped to
8 a point where such services are no longer
9 warranted",
10 and so on.

11 Do you have in mind there the reduction of
12 their passenger service?

13 A. We mentioned service as such, whether it
14 be passenger or freight service.

15 Q. Do you include in that service the tearing
16 up of branch lines?

17 A. When you talk about the tearing up of the
18 branch lines, that is an additional cost; it may not
19 be too necessary to tear up the line at all.

20 Q. Do you encompass in this the possible
21 abandonment of a branch line?

22 A. Yes.

23 Q. When you speak of "minority pressure
24 groups", who were you speaking of?

25 A. No one in particular; any minority
26 pressure groups who might make submissions to the
27 Board on the basis that such a service might be
28 necessary.

29 Q. Do you regard the words "pressure group"
30



1 as being critical of those people who are making the
2 representation.

3 A. I am not mentioning any one particular
4 person or group here, so I don't think we could call it
5 critical.

6 Q. When you say "pressure group", what does
7 that convey to you?

8 A A group that puts on pressure.

9 Q. I will go along with you that far.
10 Do you regard it as proper for a group to put on
11 pressure?

12 A. If they can get away with it, yes.

13 Q. Do you think they can get away with it.

14 A. What we are talking about here is that
15 very many times we feel that an operation is kept in
16 service through some small group. Well, it may not
17 be the total overall interest of the -- let us say,
18 the railways as a whole, and a small group might go to
19 the Board of Transport Commissioners and say that they
20 need a particular service in effect, and that such
21 service may be kept in effect because of the rep-
22 resentations of such a small group.

23 Q And that is what your definition is of
24 pressure groups?

25 A. Regardless of the overall condition of
26 the railway cost, and in this particular case that
27 would be our definition.

28 Q. Those people who are affected by the
29 line abandonment, that is the group who are putting the
30



1 pressure on?

2 A The people who might be affected.

3 Q. Yes, the people who might be affected.

4 Now, ...

5 A. Whether they use the service or not,
6 they may still be affected.

7 Q. But if the people who go before the
8 Transport Board and say, "We don't think the railway
9 should abandon this line", that is whom you are speaking
10 of?

11 A. Some of them, yes.

12 Q. Now, the Regina Paper, the Leader Post,
13 in the issue dated December 30, 1959, had this to say
14 regarding Windthorst:

15 "Town and Country People met Monday night
16 in the KC Hall to discuss the Canadian
17 Pacific Railway's Application to abandon the
18 Leston-Wolseley Line. Village Overseer
19 Les Katona was in the chair, and Secretary
20 W. C. McArton read reports concerning the
21 railroad. About 50 attended, and were
22 unanimous in protesting the railway's move.
23 Representatives from Baring and Peebles joined
24 in the protest."

25 Then, near the end:

26 "Should the application to abandon the line
27 be granted, there will be a number of towns
28 without rail service, the largest places being
29 Wawota, Kennedy and Windthorst, all of which
30



1 have station agents."

2 Now, do you regard those 50 town and country
3 people as a pressure group?

4 A. Without knowing the complete circumstances
5 of the case and reading the evidence and the transcripts,
6 I couldn't answer that question at all.

7 Q. Well then, you will agree with me to this
8 extent, that each case has to be determined upon its
9 own particular facts.

10 A. Yes.

11 Q. And you would agree with me to this
12 extent, that each group of people who feel they are
13 affected should have the right to go before the Board.

14 A. They should have.

15 Q. And present their view of the matter?

16 A. Right.

17 Q. And at the present time, that Board is
18 the Board of Transport Commissioners?

19 A. That is right.

20 Q. Which is an impartial Board?

21 A. That is right.

22 Q. Is there any reason why that Board cannot
23 hear these particular applications and deal with them
24 on the merits?

25 A. No reason at all.

26 Q. And you would suggest there should be
27 adequate notice to the people in the area?

28 A. There should be.

29 Q. And that they should be permitted to come
30



1 before the Board and say why they think the line should
2 continue.

3 A. They should.

4 Q. And in the light of all the circumstances,
5 the Board should make a decision.

6 A. They should.

7 Q. And that the railways and the people
8 asking for the abandonment, if it turns out that there
9 is evidence in the balance, the onus should be on the
10 railways to establish that as it is in any other applica-
11 tion going before a Court or any judicial body.

12 A. The onus is where the statute states it
13 should be.

14 Q. If the railways are asking for approval,
15 as is now the case, the onus is on the railways, I
16 suggest, and are you agreeable to it being there?

17 A. Yes, if that is what the statute says.

18 Q. Do you feel there should be any compensa-
19 tion paid to any of the people who may be very seriously
20 affected financially by one of these abandonments?

21 A. I would say this, that the usual cause for
22 abandonment is because their traffic has gone down to
23 such a point that it is uneconomical to maintain
24 that service, and usually where that traffic has gone
25 down to that point there is an alternate service
26 available.

27 Q. But then, let us say it has gone down to a
28 point where the railway comes before the Board and
29 establishes that it is unremunerative to some extent,
30



1 according to their bookkeeping records, and if that
2 means additional cost to the people using that line and
3 who would be affected by the abandonment, would you not
4 think there should be some provision for compensation
5 to them?

6 A. I think we answered that in the para-
7 graph at the top of page 9, where we said,

8 "The possibility of service by railway-owned
9 trucking lines would certainly be a factor in
10 the services provided by any private trucking
11 company."

12 There are certainly other methods of providing this.

13 Q. Suppose, Mr. Elmer, knowing the line was
14 there that someone builds a lumber yard relying on the
15 continued service, and then when the line is removed,
16 that lumber yard may no longer be necessary; should
17 any compensation be paid for that?

18 A. I would say this, that if the railways --
19 or, if there is some other alternative method of moving
20 his goods in an economical manner, then I don't say
21 that he should have any recompense.

22 Q. But suppose there is some additional cost
23 involved, say, to farmers delivering their grain to a
24 particular siding, would you think that they should
25 be compensated?

26 A. I would say this would be, what is in
27 your own words, that each case should stand on its own
28 merits.

29 Q. You wouldn't rule out the possibility of
30



1 compensation?

2 A. Every individual one would stand on its
3 own merits, and it is hard to say in a general broad
4 statement of this type without having actual knowledge
5 of it; it would be very difficult to determine.

6 Q. You say it should stand on its own merits.
7 Are you thinking of an actual abandonment, or the
8 possibility of compensation to people who are adversely
9 affected financially by the abandonment.

10 A. I think you are getting into another
11 realm which is nowhere in our brief.

12 We are saying that more consideration should
13 be given to the abandonment of uneconomic or obsolete
14 services; we are not saying how it should be done,
15 who should be paid for it or whether those persons should
16 get recompense. We are merely stating, in trying to
17 be helpful, that we think that more consideration should
18 be given to abandonment of uneconomic lines.

19 Q. Do you know the extent to which the
20 railways are now seeking abandonments in that particular
21 area?

22 A. No, I don't.

23 Q. Do you know whether there have been any
24 abandonment applications affecting British Columbia in
25 the last year?

26 A. I don't.

27 Q. Would you know within the last several
28 months that there have been six abandonments affecting
29 the prairie provinces?
30



1 A. I didn't know that.

2 Q. Totalling some 342 miles.

3 A. I have no knowledge of that.

4 Q. You say at the bottom of page 8,
5 "there are very few places which are isolated
6 for any period of time by roads being closed
7 due to weather conditions".

8 Are you speaking of British Columbia or are you speaking,
9 say, of Northern Saskatchewan and Northern Manitoba as
10 well?

11 A. I don't know the conditions in Northern
12 Saskatchewan or Northern Manitoba; I am talking about
13 British Columbia here.

14 Q. Yesterday one of the witnesses said that
15 you had very few branch lines in British Columbia; would
16 that be a fair statement?

17 A. It certainly would.

18 Q. So that this, really, isn't any particular
19 problem as far as British Columbia is concerned?

20 A. The abandonment of branch lines is what
21 you are talking about?

22 Q. Within the province, you wouldn't be
23 facing any major abandonments within British Columbia.

24 A. Not to my knowledge.

25 Q. And on page 9 you speak of,

26 "A fact-finding Committee should be set up on a
27 high governmental level",

28 and I think in answer to one of the questions of
29 Commission counsel, you expressed the view that the
30



1 recommendations of that Committee should be mandatory;
2 you are speaking there of the elimination of duplica-
3 tion in the switching services in the larger areas and
4 more co-operation between the switching lines.

5 A. That is one section of it.

6 Q. Did I understand you to say that it is
7 your impression that grants given to the railways are
8 taken into account in calculating the requirements for
9 the permissible level of rail earnings.

10 MR. SINCLAIR: Is learned counsel suggesting
11 they are not? I think you should be fair with him.

12 THE WITNESS: I have been told they are;
13 I don't know of my own personal knowledge whether they
14 are or not.

15 MR. DICKSON: Q. The gist of your para-
16 graph on this particular subject is that you draw a
17 possible distinction between grants on the one hand
18 and earnings or revenues from other railway operations
19 on the other hand; is that right?

20 A. We are talking here mainly about the fact
21 there has been a requirements formula set up by the
22 Board, which doesn't appear to, in our opinion, be
23 working favourably today.

24 Q. And you are saying as far as grants are
25 concerned, the Board of Transport Commissioners should
26 keep this in mind, but as far as the level of earnings
27 on the non-rail enterprises, they should not be taken
28 into account on freight rates.

29 A. That is what we say.
30



1
2 CROSS-EXAMINATION BY MR. DOHERTY:

3 Q. Mr. Elmer, my name is Gordon Doherty, and
4 I am here on behalf of the Province of Saskatchewan.

5 I wonder if you would assist me in the understanding of
6 the sentence at the top of page 2 where you say,

7 "Some of these inequities are due to geographic
8 location and volume of traffic in a particular
9 area."

10 Could you explain what you had in mind there?

11 A. We are talking here mainly about the
12 bridge which is causing an inequity today.

13 Q. It is just the bridge subsidy?

14 A. Mainly the bridge subsidy we are talking
15 about there.

16 Q Speaking of the bridge subsidy itself, am
17 I correct in my understanding that the Province of
18 British Columbia has the same advantage as other
19 provinces to benefit over the bridge subsidy west of the
20 bridge itself?

21 A. When we ship over the bridge, yes. This
22 is where we are getting into this geographical location
23 of the bridge.

24 Q. I am thinking of the movements east to
25 west; any movement east to west to British Columbia,
26 you have the same advantage of the bridge subsidy as any
27 other province would have?

28 A. They apply the same way, eastbound or
29 westbound -- I should say, moving under the normal
30 rates.



1 Q. You are not suggesting that British
2 Columbia is in a position of disadvantage in respect
3 to the other provinces?

4 A. We are saying that we are at a disadvan-
5 tage on the shipping from British Columbia to the
6 Prairie Provinces.

7 Q. Yes, I appreciate that. That was my
8 further question: I wanted to understand completely
9 your thought in that. Did you have in mind there
10 should be a bridge subsidy in relation to the movement
11 from the west to the east when you passed over a
12 particular point?

13 A. We are saying there should be equity in it.
14 If there is a bridge subsidy given to move goods from
15 east to west over an unproductive portion of track,
16 then there should be a like subsidy given to move
17 goods from west to east to the same points over any
18 other unproductive trackage or territory.

19 Q. You mentioned shipments to the Prairie
20 Provinces: had you in mind a particular point which
21 might be regarded as the bridge, or had you in mind,
22 perhaps, rather, a sum of money in the nature of a
23 subsidy which would granted to all traffic moving west
24 to east?

25 A. We are not suggesting any particular sum
26 of money or anything else. We are saying that the
27 shippers in Eastern Canada shipping certain types of
28 goods to the prairie have a lower rate for a like dis-
29 tance on class rate traffic than shippers from British
30



1 Columbia have from shipping the same goods the same
2 distance to the same points.

3 Q. Yes, I appreciate that. It is the
4 competitive position you are concerned with?

5 A. That is right.

6 Q. I am not differing with your thoughts
7 at all. I was interested in knowing the manner which
8 you had in mind by which this amount of money or
9 assistance could be given?

10 A. We are saying it should not be given.
11 The bridge subsidy should be abolished, or there should
12 be one in the west. All we are asking for is equity:
13 either take it out or we should have it as well.

14 Q. Well, the point is, what you would
15 suggest having in the west?

16 A. We are not suggesting getting down to
17 details of what we should have -- whether we should have
18 a subsidy on it or a cent or millions of dollars. We
19 want the same as the other direction.

20 Q. As long as your competitive position is
21 preserved?

22 A. Yes, that is what we are asking --
23 equity of rates.

24 Q. On page 5, in the middle part of the
25 page, just under heading No. 2, you say:

26 "The fact that freight rates on commodities
27 other than grain and grain products are
28 inflated to offset railway losses in the
29 handling of export grain under the Crow's Nest
30



1 Pass Agreement rates, has been confirmed by
2 some members of the Board of Transport
3 Commissioners for Canada and by the Vice-
4 President of the Canadian Pacific Railway
5 Company."

6 Then, if I may refer you to the bottom of page 10, this
7 is where you are speaking of the report of the Royal
8 Commission on Transportation in 1951, and having in
9 mind the question of truck competition, in the last
10 paragraph on that page, the first line reads,

11 "The effect of these losses in railway revenues
12 is to throw a heavier rate burden upon the
13 traffic which is non-competitive ...":

14 would you agree with me, Mr. Elmer, that there are a
15 number of factors which would have to be taken into
16 consideration in determining whether or not there was
17 an undue burden on the traffic -- any field of traffic?

18 A. There certainly are a number of factors.

19 Q. And one factor would be the competitive
20 factor, wouldn't it?

21 A. One of them is, yes.

22 Q And would another factor, perhaps, be
23 other losses which may arise whatever the cause may
24 be -- for instance, passenger lines?

25 A. Any losses on any particular type of
26 traffic must be made up by higher charges on other
27 types of traffic.
28
29
30



1 CROSS-EXAMINATION BY MR. FRAWLEY:

2 Q. Mr. Elmer, as you probably know, I rep-
3 resent the Province of Alberta.

4 Which of the three prairie provinces is British
5 Columbia's best customer?

6 A. I don't think we mention that in our
7 brief at all, sir. I would appreciate cross-examination
8 on the brief. We have nothing on that in here.

9 Q. Well, you can't tell me which of the three
10 prairie provinces is your best customer?

11 A Offhand, no, I couldn't, without getting
12 the facts and statistics on it, and I do not have them
13 in front of me.

14 Q. It may be that you do not know. I suggest
15 to you that the Province of Alberta is the best customer,
16 in the prairie provinces, for the Province of British
17 Columbia: would you challenge that statement?

18 A. Unless I had the facts and statistics in
19 front of me, I would hesitate to answer.

20 Q. Well then, you are satisfied to have the
21 record remain that you are not aware that the Province
22 of Alberta is the best customer, in the prairie
23 provinces, for the Province of British Columbia?

24 A. My answer still stands, that unless I have
25 the facts and statistics in front of me, I can't honestly
26 answer.

27 Q. I suggest to you that you sell more goods
28 of all kinds to the Province of Alberta than the two
29 other prairie provinces combined: would you challenge
30 that?



1 A. Unless I have the facts and statistics
2 in front of me, I can't answer that question.

3 Q. The Port of Vancouver enjoys a very con-
4 siderable trade in export grain?

5 A. Yes, it does.

6 Q. You are aware that in 1925, the Crow's
7 Nest level of rates was applied on grain moving to
8 export positions westbound from the prairie provinces,
9 chiefly Alberta?

10 A. I am not sure of the date, but it was
11 somewhere around that time.

12 Q. And that the rates to the West Coast were
13 put on the same level as the Crow's Nest rates moving
14 the grain eastbound to the Lakehead?

15 A. Not quite. I think you are talking
16 about the western rates case, are you not?

17 Q. No, no. I am talking about that very
18 well known order of the Board of Transport Commissioners
19 that put the Crow's Nest level of rates into effect
20 to move the grain westbound to export positions in
21 Vancouver and New Westminster and other ports?

22 A. Yes, there was a Board of Transport
23 Commissioner's Order on that.

24 Q. And I put it to you that that Order was
25 eagerly sought by the Province of British Columbia,
26 and chiefly the City of Vancouver; you wouldn't
27 question that?

28 A. I think that is correct.

29 Q. And I daresay that the Port of Vancouver
30



1 is happy to have the grain moving in large quantities
2 here to be exported to all countries on the Pacific and
3 South America and wherever it goes after it reaches
4 the port?

5 A. We are.

6 Q. And you wouldn't want to give that up
7 under any circumstances that you can imagine?

8 A. We hope to retain that traffic.

9 Q. And you know that it is the low level of
10 rates that has kept the grain coming down here to
11 Vancouver, and you know that all of the grain grown
12 in Alberta moves to the West Coast rather than to the
13 Lakehead?

14 A. I am sorry, I couldn't answer that --
15 whether it is the rates or whether it is the goods
16 travelling through there to world markets. This is a
17 marketing problem.

18 Q That is right, and Vancouver is very
19 pleased that its ports are functioning as they should
20 function to move the grain from Western Canada to
21 countries on the Pacific?

22 A. Right.

23 Q Now, Mr. Elmer, I would like to talk to you
24 for a moment about the bridge subsidy. You say
25 flatly that your first choice is to eliminate the
26 bridge subsidy entirely?

27 A. Yes.

28 Q. Are you concerned at the moment with the
29 problem that arose when British Columbia lumber was
30



1 excluded from the benefit of the bridge subsidy? Is
2 that a problem that your Board is concerned about, or
3 have you another complaint against the bridge subsidy?

4 A. I am sorry; that would be the British
5 Columbia Lumber Manufacturers Association, and I haven't
6 got that.

7 Q. So, whatever complaint may be arising out
8 of the fact that lumber is not allowed to share in the
9 bridge subsidy is a matter you are not concerned with
10 this morning?

11 A. It is not in my brief, and we are not
12 talking about it here.

13 Q. You do say, though, that it affects you
14 competitively and you want, when you are trading into
15 the prairie provinces, you want to have -- you feel
16 it a handicap as against eastern cities trading into the
17 prairie provinces?

18 A. On certain types of traffic, this must
19 be the case.

20 Q. I put it to you, and whether you will
21 acknowledge it or not I am putting it to you, that
22 Alberta is British Columbia's best customer, and that
23 we are contiguous to the Province of British Columbia:
24 notwithstanding the fact that Alberta is your biggest
25 customer, in the prairie provinces, you say you want
26 something in the nature of the bridge subsidy to help
27 you get into Alberta?

28 A. We do not say that.

29 Q. Well, I would like to know what else you
30



1 are saying, if you are not saying that?

2 A. We are saying we want -- there was an
3 equalization programme put into effect, and we are
4 saying this was supposed to do away with a lot of these
5 anomolies, and they immediately put in a bridge subsidy
6 from east to west of \$7 million, which gives someone
7 a \$7 million lesser rate into the prairies than from
8 the West into the prairies.

9 Q. I think I know what you are putting for-
10 ward; I think I know what you are asking the Commission
11 to recommend, but I would like to analyze it, and I put
12 it to you that because Alberta is your biggest customer
13 by far -- and I will put it at more than 50 per cent;
14 there is no secret about the fact that British
15 Columbia is selling into Alberta, and I am amazed that
16 the Vancouver Board of Trade is not well aware of it
17 and quite happy and anxious to say so, and I am very
18 happy on behalf of Alberta to say we are buying most
19 of your goods out here as against our friends from
20 Saskatchewan and Manitoba ---

21 A. I am here on behalf of the Board of Trade
22 to talk about the recommendations and the brief which
23 we have before us. That is all I have the authority
24 to talk about at the present time.

25 Q. Yes, but you are here in a representative
26 capacity flanked by the economic advisers of the
27 Province of British Columbia and flanked by learned
28 counsel for the Province of British Columbia, and I
29 would think -- I could have developed that a little bit
30



1 more, but I am happy about it, and I will leave it that
2 the Vancouver Board of Trade does not wish to go on
3 record that Alberta is its best customer, over double
4 what the other provinces are?

5 A. I think that is irrelevant to the dis-
6 cussion and the brief and should not affect this Commission
7 one way or another with respect to Canadian railway
8 transportation problems.

9 THE CHAIRMAN: I think we can leave it at
10 the point that British Columbia and Alberta are good
11 neighbours.

12 MR. FRAWLEY: Well, it is always interesting
13 to talk to the representatives of the Vancouver Board
14 of Trade. There is always something interesting and
15 something new, such as today's contribution.

16 Q. Now, the Province of British Columbia is
17 the receiver of much freight from Eastern Canada?

18 A. It receives a lot of freight from Eastern
19 Canada.

20 Q. And freight that goes over the so-called
21 bridge and gets the benefit of the bridge subsidy?

22 A. I do not have the figures on the receipt
23 of goods into British Columbia which have the benefit
24 of the subsidy.

25 Q. I would not expect you to have the
26 figures. I simply put it to you that as receivers of
27 freight, British Columbia receives many hundreds and
28 thousands of tons of goods from Eastern Canada each
29 year?
30



1 A. I have been advised that there is only
2 about 20 per cent of the goods coming from Eastern
3 Canada into British Columbia that are eligible for
4 the bridge subsidy.

5 Q. Well, I am very happy you brought that up.
6 The reason for that raises another very interesting
7 question: the reason for that is that 80 per cent is
8 coming on these low transcontinental agreed charges.
9 That accounts for the fact that so little comes over
10 the bridge?

11 A. It was not necessarily agreed charges.
12 It would be competitive rates.

13 Q. Not necessarily agreed charges. So, it
14 is either the published competitive rates, trans-
15 continental, or the transcontinental agreed charges
16 that make the volume of goods coming over the bridge
17 as small as you point out to me it is?

18 A. The bridge subsidy is only paid on the
19 standard class rates.

20 Q. That is right. Well, before we leave this
21 80 per cent that the economic advisor of the Province of
22 British Columbia has brought to your attention, those
23 are very low rates, are they not -- those rates that
24 come to you transcontinentally, either by way of
25 published competitive rates or agreed charges?

26 A. Some may be low rates.

27 Q. One is pretty low that we have heard
28 talked about a great deal: Skelp -- that is, coiled
29 steel comes out from Hamilton for 95 cents all the way
30



1 to Fort Moody.

2 A. I always thought kelp was seaweed, and
3 we have plenty of that here.

4 Q. There is an "s" on that and it is called
5 skelp. Let us get back to what passes over the bridge
6 subsidy, be it little or be it large: all of these
7 goods that come into British Columbia over the bridge
8 come in on a reduction?

9 A. No.

10 Q. Everything that passes over the bridge is
11 reduced?

12 A. Everything that passes over the bridge
13 takes the freight rate and there is a charge on it.

14 Q. I am not following you. Goods moving from
15 Toronto and Montreal, or from anywhere in groups A and B,
16 through to Vancouver and passing over the bridges are
17 entitled to the benefit of the bridge subsidy?

18 A. Not all goods, no.

19 Q. Everything except these low transcontinental
20 agreed charges and competitive rates?

21 A. The only bridge subsidy is paid only on
22 the standard class rates.

23 THE CHAIRMAN: And some commodity rates.

24 MR. FRAWLEY: Q. I will use your language:
25 all of the goods that come on class rates, all of the
26 goods that come on non-competitive commodity rates,
27 come over the bridge and enjoy the bridge subsidy
28 reduction?

29 A. That is about right.
30



1 Q. That is right. Have you ever estimated
2 how many hundreds of thousands or millions of dollars
3 that has meant in reduced freight rates to the
4 receivers in British Columbia?

5 A. No, we haven't.

6 Q But you are prepared to throw that out
7 entirely because you say that, as the Vancouver Board
8 of Trade, your competitive position is affected in
9 Alberta and Manitoba and Saskatchewan?

10 A. We believe in equity, and we have had
11 this, and we have given up other things for the equaliza-
12 tion scale in the interests of equity and benefit to
13 all.

14 Q. That is fine. I have no brief for the
15 consumers of Vancouver, but I thought they were being
16 forgotten pretty badly when you said you would be
17 willing to eliminate the bridge subsidy because it
18 affected you and the members of the Board of Trade in
19 trading into Alberta, and then there are a couple of
20 other prairie provinces there too.

21 A. We are talking about the principle behind
22 this -- of equity in a bridge subsidy. If there is a
23 bridge subsidy in one section, there should be in the
24 other.

25 Q. So, your attachment to the principle is
26 sufficiently strong that you are prepared to throw the
27 benefit of all of the dollars in reduced freight rates
28 that are coming in and are enjoyed by the receivers
29 of freight in British Columbia, so that as traders into
30



1 the prairie provinces, one-half of which is into your
2 next contiguous province of Alberta ---

3 A. I don't think we would be doing that,
4 because, as far as I know, if the goods going into
5 Alberta, if they are the biggest customer, and if they
6 are getting such tremendous quantities, most of the
7 goods would be going under competitive rates.

8 Q. Going from here to Alberta on competitive
9 rates?

10 A. If there is this huge tonnage, then I
11 put it to you a lot of them would be going on those
12 rates.

13 Q. Well, I am afraid that we are not ad item
14 anymore because all I am talking about is the goods
15 coming over the bridge subsidy which the people of
16 British Columbia I thought were glad to have, and you
17 now are willing to throw that out so as to get some
18 bridge subsidy applied between here and Calgary and
19 Edmonton. However, if that is it, that is it.

20 Just passing to something else, would you look
21 at page 6 for a moment. At the bottom of page 6, Mr.
22 Elmer, you, like so many other people, are quoting former
23 Commissioner Chase and his remarks about the Crow's
24 Nest rates, and you say at the bottom of the page -- and
25 I am not certain how much of it is a quotation --

26 "The evidence as outlined on page 32 and 33,

27 J.O.R.R. ..."

28 -- it cannot be evidence; or, is it the judgment of
29 the Board? In any event, you say that was to the
30



1 effect that the railways are actually losing money on
2 the hauling of the grain, and it follows ..."

3 Just those last two lines: are they your words, or
4 are they the words of Commissioner Chase?

5 A. Those would be my words.

6 Q. "It follows that such losses are recouped
7 in part by charging higher than necessary
8 rates on commodities other than grain
9 products."

10 I was wondering if you were expecting the railways,
11 when they get the subsidy they are now applying for,
12 would discontinue charging higher than necessary rates
13 on traffic other than grain?

14 A. We certainly hope so.

15 Q. That is what you have in mind, that the
16 moneys the railways will receive from the Federal
17 Treasury as a result of the proposal they now have
18 before them, that those moneys would not abide in the
19 railway, but that they would be passed onto the shippers?

20 A. We do not know that the railways would
21 receive moneys from the Treasury by way of subsidy.
22 We do not know that is going to be a fact.

23 Q. Well, the railways don't know either,
24 but they are hoping.

25 A. It may be paid by other methods on the
26 grain commodities. We are stating that no low un-
27 remunerative rate should be in effect and goods charged
28 on other traffic to make up for those losses.

29 Q. Yes, but I was wondering if the proper
30



1 inference is that if the losses disappear, and if there
2 are no more losses by virtue of Federal financial
3 assistance, would you expect that the railways would
4 reverse and stop charging higher than necessary rates
5 on commodities other than grain -- to use your own
6 words?

7 A. That would naturally follow.

8 Q. Don't you think that the railways would
9 regard that as a little bit of Indian-giving? Is that
10 what you have in mind?

11 A. I would not answer that.

12 Q. On page 8 you talk about obsolete
13 services, and I don't know whether you have in mind
14 passenger services there or not. On page 8, under
15 "obsolete services", are we to conclude that you have
16 in mind passenger services?

17 A. Our brief says "services" -- "obsolete
18 services"; it does not distinguish between passenger or
19 freight services.

20 Q. I see. Well, I was also concerned for
21 what it did not say. I take it that you have given
22 no thought at all to what this Commission should
23 recommend with regard to admittedly large passenger
24 deficits that the railways have each year?

25 A. We have not discussed that in our brief.

26 Q. Had that given you any concern at all?

27 A. We haven't discussed it in our brief at
28 all.

29 Q. Are you aware that the large passenger
30



1 deficits have to be borne by freight rates?

2 A. If they are a loss to the railways, I
3 would say they would be borne by freight rates.

4 Q. Is the Vancouver Board of Trade not
5 concerned with the fact that that certainly must make
6 for higher freight rates which they have to pay?

7 A. I think that is covered in our brief by
8 saying that no other traffic should be asked to pay for
9 any unremunerative services.

10 Q. Where do you say that?

11 A. We say at the bottom of page 7:

12 "... no carrier should be compelled to maintain
13 unrealistic rates on any given commodity and
14 have to charge higher rates on other goods
15 to make up for low rates forced on them by
16 statute."
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1 Q. And you say that the railways should not
2 be compelled to maintain unrealistic rates on any
3 given commodity and have to charge higher rates on
4 other goods to make up for low rates forced on them
5 by statute.

6 I suppose that you are equally concerned
7 with low rates that are forced on them by considerations
8 other than statutes?

9 A. We are concerned with unremunerative
10 rates.

11 Q. Whether they are forced on the railways
12 by statute or by the hard force of competitive factors?

13 A. If they are unremunerative, we are
14 concerned with them.

15 Q. And your definition of "unremunerative"
16 is what, Mr. Elmer?

17 A Less than their distributed overall
18 costs.

19 Q. Oh, less than their fully distributed
20 costs. Well, you better take a hard look at your
21 skelp, I think.

22 Well, Mr. Elmer, on page 9 you speak about
23 the other businesses of the railway, and I was wonder-
24 ing -- you are aware, of course, that the Canadian
25 Pacific Railway, in any event, has a considerable
26 amount of non-transportation income every year?

27 A. Yes, they do. I understand that.

28 Q. And have you given any thought to that?

29 A. In what way?
30



1 Q. Well, you apparently have not, because
2 you have devoted item No. 4 on page 9 to that matter;
3 haven't you?

4 A. We say that the Board has arrived at a
5 "requirements formula" which has appeared to be a
6 satisfactory measure in assisting the Board to judge
7 the reasonableness of freight rates.

8 Q Yes. And you say that while the Board
9 should keep in mind the land and other grants given to
10 the Canadian Pacific Railways, transportation rates
11 should, as far as possible, stand on their own feet
12 and come close to the cost of service.

13 A. Come closer, not close. We say "closer
14 to the cost of service".

15 Q. Yes, closer to the cost of service --
16 closer than they have come.

17 Now, in any event, now, there was something
18 very specific that I would invite your comment on.
19 Are you aware now that the revenues which the Canadian
20 Pacific Railway receives from its highway transport
21 operations are not taken into transportation income but
22 into non-transportation income?

23 MR. SINCLAIR: That is incorrect.

24 MR. FRAWLEY: Oh, my friend says it is
25 incorrect. Well, I'm sorry.

26 MR. SINCLAIR: The section of the
27 classification is there. The law is there.

28 MR. FRAWLEY: Oh, I am not talking about the
29 law. This Commission is probably -- if it is so-minded --
30



1 it will probably recommend changes in the law.

2 THE WITNESS: I am certainly not aware of
3 it, if even the counsels disagree on this.

4 MR. SINCLAIR: The classification speaks
5 for itself.

6 MR. FRAWLEY: Well, of course, Mr. Chairman,
7 I will just pursue this. I am putting it to the Board,
8 and I will stand corrected and I will, in view of my
9 friend's interruption, make a very careful research into
10 the question.

11 MR. FRAWLEY: Q. I understand, sir, that
12 the revenues, the profits and losses from the Highway
13 Transportation of the Canadian Pacific Railway, when
14 it comes in from Canadian Pacific Transport Company
15 Limited, is not taken into rail income?

16 MR. SINCLAIR: That is a different thing
17 than he put to the witness in the first place.

18 MR. BRAZIER: In any event, the witness
19 says he does not know anything about it.

20 THE CHAIRMAN: I think that is one of the
21 things we will have to take a look at -- that very
22 thing. But I don't think that all the transportation
23 interests come in; some do -- isn't that right,
24 Mr. Sinclair?

25 MR. SINCLAIR: That is correct.

26 THE CHAIRMAN: Some do.

27 MR. FRAWLEY: All I am concerned is with
28 the fact that where, under the classification of accounts
29 -- which I am certain that Canadian Pacific are following
30



1 there completely -- that if money is made by, for
2 instance, Smith Transport, which they now own, it is
3 not accounted for in rail revenue.

4 THE CHAIRMAN: I think that is correct.

5 MR. SINCLAIR: That is admitted.

6 THE CHAIRMAN: That is admitted.

7 MR. FRAWLEY: Now, we are finding out.

8 The brush is cut all away.

9 MR. BRAZIER: The witness still doesn't
10 know about it himself.

11 THE CHAIRMAN: No, that is a subject by
12 itself.

13 MR. FRAWLEY: Well, Mr. Brazier put the
14 brush back in, so ---

15 MR. FRAWLEY: Q. Now, let's talk about
16 this matter of truck control or the absence of it.

17 You say that there is control in British
18 Columbia of intra-provincial trucking rates. Is that
19 so?

20 A. That is right. It is a common carrier
21 intra-provincial.

22 THE CHAIRMAN: You will be some time yet,
23 Mr. Frawley?

24 MR. FRAWLEY: Some few minutes, Mr. Chairman.

25 THE CHAIRMAN: Well, we will break now
26 until two o'clock.

27
28 ---Luncheon adjournment.
29
30



1 ---On resuming at 2.00 p.m.

2
3 THE CHAIRMAN: All right, gentlemen.

4 MR. FRAWLEY: Q. In view of the unsatis-
5 factory way in which the evidence was left this morning
6 with regard to the traffic emanating from British
7 Columbia, I would like to put the following freight
8 figures on the record.

9 The 1958 Board of Transport Commissioners
10 Waybill Study shows that judging from the one per cent
11 sample which the Board used to make its Waybill Study --
12 this is a summary of the traffic revenue in British
13 Columbia -- there were 371 cars shipping to the prairie
14 provinces, and of that number 219 went to Alberta, 84
15 went to Saskatchewan and 68 went to Manitoba. Perhaps
16 you, Mr. Elmer, could make a circular of these figures
17 for the members of the Vancouver Board of Trade.

18 Now, in the newspaper, The Province, for
19 February 23, 1960 -- and I would like to put this on the
20 record -- there is an article and the heading is, "Alberta
21 outscores us in buying B.C. apples. Albertans buy more
22 B.C. apples than British Columbians.

23 "A report by B.C. Tree Fruits Ltd., Kelowna,
24 sales agency for the tree fruit industry, states that
25 with more than 1,500,000 boxes of apples going into
26 consumption in Western Canada, 36 per cent were sold in
27 Alberta; 27 per cent in British Columbia; 23 per cent
28 in Saskatchewan and 14 per cent in Manitoba."

29 MR. BRAZIER: It only goes to show that the
30 rich farmers of the prairies are able to pay more for our



1 apples.

2 MR. FRAWLEY: Q. The percentage is still
3 disturbing. It shows all the things except the extreme
4 reluctance of the Vancouver Board of Trade to discuss
5 matters before the Board.

6 A. I would like to make a word of explana-
7 tion: I think I misunderstood you, Mr. Frawley, I
8 understood you to say that Alberta was British
9 Columbia's best customer, and I think you are referring
10 now in comparison to the prairie provinces, and I will
11 admit that Alberta is the best customer which we have
12 in the prairie provinces, of the three prairie provinces,
13 and I misunderstood you, I thought you meant the best
14 customer, period.

15 Q. If my friend Mr. Elmer wants to prolong
16 it, I will continue to read the whole thing.

17 Now, to Ontario British Columbia shipped 194
18 cars, and I said 219. To Quebec they shipped 65 and
19 to the maritime provinces they shipped 11.

20 THE CHAIRMAN: I think, perhaps, Mr. Elmer,
21 there is also United States and Japan.

22 THE WITNESS: Yes, they are also shown.
23 Perhaps they should be read into the record, too.

24 MR. FRAWLEY: Q. I started out by discussing
25 the prairie provinces and I couldn't get you to admit
26 that Alberta was the best customer in the three prairie
27 provinces, and I think something should be done about
28 it; I was so amazed.

29 Now, I only want to ask one other question.
30



1 Did you say something about that you were satisfied
2 with the groupings, with the A and B groupings in
3 eastern Canada, but that you would like something of
4 the same in this part of Canada?

5 A. My remark there was that there are
6 occasions when a grouping is advantageous to all con-
7 cerned.

8 Q. Now, you have some groupings out here
9 on the west coast that were called to my attention. I
10 find that in the Equalization Judgment of March 1, 1954
11 -- and this paragraph appears on page 4 of the pamphlet
12 copy -- it says:

13 "In computing the mileages for the said
14 rates between points on Vancouver Island and
15 all other points in Canada, the distance over
16 the water routes between the mainland and
17 Vancouver Island shall be made on the basis
18 of two miles of water haul being deemed
19 equivalent to one mile of rail haul."

20 I put it to you, Mr. Elmer, that the result of that was
21 that you cut the actual distance between Vancouver and
22 Vancouver Island in half.

23 MR. BRAZIER: I will put it down on the
24 record, from 40 miles to 20.

25 MR. FRAWLEY: Q. Or from 80 to 40, and
26 in this context I might call Mr. Elmer's attention, and
27 even Mr. Brazier's attention, to the fact that in
28 Alberta, because Edmonton is just 50 miles further away
29 from Toronto than Calgary, that Edmonton pays on the
30



1 basis of this extra 52 miles, so you are not quite so
2 badly off. Thank you very much.

3
4 CROSS-EXAMINATION BY MR. MAURO:

5 Q. Mr. Elmer, I thought, following what you
6 have stated as the basis of this submission, namely,
7 that the Vancouver Board of Trade was trying to discuss
8 before this Commission basic principles, and I thought
9 I would examine you in that context, in the context of
10 basic principles, and am I correct that that is your
11 intention rather than going into details?

12 A. Yes.

13 Q. And we will start with the matter of
14 inequities in the freight rate structure as you deal with
15 them, and you mention the bridge subsidy and it has been
16 touched on in specifics and I take it that the basic
17 principle that the Vancouver Board of Trade is objecting
18 to is the suggestion by the Board of Trade that the
19 bridge subsidy violates the basic principle of equality;
20 is that correct?

21 A. That is correct.

22 Q. Now, there is no difference from the view-
23 point of equality in the treatment received by British
24 Columbia shippers vis a vis Alberta shippers, Saskatche-
25 wan shippers or Manitoba shippers in regard to the bridge
26 subsidy?

27 A. Not when the goods actually pass over
28 these rails.

29 Q. That is the principle of the bridge subsidy,
30 and in regard to inequality of treatment -- we are again



1 talking about principles -- British Columbia shippers
2 are treated the same as Alberta shippers, Saskatchewan
3 shippers and Manitoba shippers?
4

5 A. Might I say that I believe the principle
6 behind the bridge subsidy was to recompense the railways
7 for what is supposedly very unproductive traffic, and I
8 think the very basis of the hearing on the freight
9 subsidy in the first place was based on a wrong premise.

10 Q. Now, we are talking about and you gave
11 your submission here this morning -- you introduced it
12 to us to discuss basic principles, and I am now discuss-
13 ing equality and I am putting the question to you and
14 I will ask you for your opinion whether or not a bridge
15 subsidy, as far as equality of treatment is concerned,
16 treats the British Columbia shipper the same as the
17 Alberta shipper, the Saskatchewan shipper and the
18 Manitoba shipper?

19 A. On goods passing over these bridges, but
20 not on goods to particular territories.

21 Q. Wait, now; does the bridge subsidy treat
22 the Manitoba shipper, the Saskatchewan shipper or the
23 Alberta shipper differently?

24 A. I will put it another way; it treats the
25 Manitoba receiver differently on the goods from eastern
26 Canada than it does the Manitoba receiver on receiving
27 goods from British Columbia.

28 Q. Receiving them from British Columbia?
29 We are talking about the bridge subsidy and the Manitoba
30 shipper in shipping goods to central Canada, does he get



1 the same treatment as the British Columbia shipper in
2 shipping goods to eastern Canada?

3 A. On goods which bear the bridge subsidy
4 he would get the same treatment.

5 Q. That is what we are talking about; he
6 gets the same treatment on the bridge subsidy, there
7 is no inequality of treatment under the bridge subsidy.

8 MR. BRAZIER: The only point here, and I think
9 it is perfectly plain, is that we are not talking about
10 from Manitoba going to Toronto, we are talking about
11 goods, or he is talking about goods coming from
12 Toronto into the prairie market as against goods coming
13 from British Columbia into the prairie market, and he has
14 made the point that there is an inequality of treatment
15 in those two movements. He doesn't carry it anywhere
16 beyond that, and there is no doubt on the facts that
17 there is an inequality of treatment.

18 MR. MAURO: My learned friend is arguing, and
19 I am trying to decide and let this witness tell this
20 Commission exactly where these inequalities exist, and
21 I would appreciate it if I would be permitted to examine
22 him in my own way.

23 THE CHAIRMAN: Go ahead.

24 MR. MAURO: Q. I am talking about shipments
25 from the east, Mr. Elmer, and I want you to tell me
26 whether the Manitoba shipper shipping into central
27 Canada is treated differently than the shipper from
28 British Columbia shipping into the central markets?

29 A. I think I answered that; I said no, he is
30



1 not, on the goods which bear the bridge subsidy.

2 Q. Now, on movements of goods from the east
3 into Manitoba, into Saskatchewan, into Alberta and into
4 British Columbia, is there an inequality on shipments
5 from central Canada into Manitoba, into Saskatchewan,
6 into Alberta and into British Columbia over the bridge?
7

8 A. Not on goods that bear the bridge subsidy.

9 Q. Now, does the Manitoba shipper shipping
10 goods from Winnipeg to Edmonton, is he treated differ-
11 ently than the British Columbia shipper shipping from
12 Vancouver to Edmonton?

13 A. No.

14 Q. Now, following the basic terms of the prin-
15 ciple of equality, would the Vancouver Board of Trade
16 apply the same reasoning to the Maritime Freight Rates
17 Act which permits a 20 per cent and 30 per cent subsidy
18 for shipments from the maritime regions into the central
19 region?

20 A. We have not discussed the Maritime Freight
21 Rate Act at all in our brief.

22 Q. I know what you have discussed in the
23 brief, but you have told us this morning that this brief
24 is here to discuss principles, and I suggest that prin-
25 ciples should be fundamental concepts, and your argu-
26 ment against the bridge subsidy is that it creates an
27 inequality on the part of British Columbia shippers
28 shipping into the prairie region, then I wonder whether
29 or not the same principle doesn't apply in the creation
30 of an inequality for Manitoba or Saskatchewan shippers



1 shipping into central Canada as against the maritime
2 shippers shipping into the same market?

3 A. We believe what was wrong with the
4 Royal Commission on Transportation when they talk about
5 the purposes of equalization, when they say that it
6 appears that Canada has reached a state in its develop-
7 ment where a farmer moving his goods on regional rates
8 must give way to a uniform rate structure and treat
9 all citizens, districts and regions alike.

10 Q. That is the principle upon which the
11 Vancouver Board of Trade postulates this brief; that is
12 the basis for this brief. You want equalization,
13 equality of treatment; is that correct?

14 A. That is correct.

15 Q. And in your context you say the bridge
16 subsidy offends against this principle of equality of
17 treatment; is that correct?

18 A. Yes.

19 Q. And how about whether or not, on the
20 basis of principle, you also conclude that the Maritime
21 Freight Rates Act offends against those principles of
22 equality of treatment?

23 A. I don't see how we can draw a parallel
24 between them.

25 Q. Well, what does the Maritime Freight
26 Rates Act do for a shipment of goods from the maritimes
27 into central Canada, Mr. Elmer; does it not reduce the
28 cost and give a preference, an advantage, to the
29 shipper from the maritimes into central Canada?
30



1 A. It does.

2 Q. And isn't that which you are complaining
3 of in regard to the bridge subsidy, that it gives a
4 preference to shippers from central Canada shipping
5 into the prairie region?

6 A. That is what we say.

7 Q. So, I assume if the Vancouver Board of
8 Trade had considered the Maritime Freight Rates Act on
9 the basis of principle and equality, they would say that
10 the Maritime Freight Rates Act, too, offends and does
11 violence to the principle of equalization.

12 Now, the next item I wish to touch upon is
13 that of the matter of assumed mileages, or constructive
14 mileages, and just so that we get it in a complete nut-
15 shell, do you or the Vancouver Board of Trade suggest
16 that there should be a reconsideration of groups A and B
17 in eastern Canada to assumed mileages?

18 A. I think I mentioned this morning that --
19 I can't recall what the evidence was -- that there are
20 cases when the grouping must be taken into consideration
21 where you get a small difference in mileage, and what we
22 are talking about here in these constructive mileages
23 are the large constructive mileages and they dealt with
24 the rates years ago before the equalization programme.

25 Q. How about the mileage between Montreal
26 and Toronto; is that, in the view of the Vancouver Board
27 of Trade, a small or a large mileage?

28 A. For a trading area it is relatively
29 small.
30



1 Q. And from Fort William to Winnipeg, is
2 that a small or a large mileage?

3 A. I don't think there is any comparison
4 there on industry as between Fort William and Winnipeg,
5 the same way as there is in trading areas like Montreal
6 and Toronto.

7 Q. There is no comparison in the position
8 between the range from Montreal to Toronto and between
9 Fort William and Winnipeg?

10 A. I didn't say the mileage, I said in
11 comparison in the trading area and the position of the
12 group on their rates.

13 Q. So, when you speak of mileage, what we
14 should infer from that is the trading area is what should
15 be considered in a grouping or an assumed mileage, which
16 the Vancouver Board of Trade would give its blessing to?

17 A. No, what we have in here is that we are
18 quoting from the Equalization Case where the Board stated,
19 "class rates on so-called 'constructive mileages', or
20 assumed or fictitious mileages (other than average route
21 mileages or 'key point' mileages specified herein) is
22 not in accordance with the principles of equalization..."
23 and we are quoting from the Board's Judgment there.

24 Q. And this Royal Commission is now spending
25 a lot of time going across Canada seeking advice and
26 recommendations from the interested groups as to whether
27 or not there should be some changes made, and you very
28 kindly on behalf of the Vancouver Board of Trade were
29 to give the opinions of your Association, and I am trying
30



1 to set out some basis for considering equalization, and
2 I take it that the Vancouver Board of Trade says that
3 the assumed mileage from Montreal to Toronto and from
4 Windsor to Toronto is a valid assumed mileage, but
5 that the assumed mileage from Winnipeg to Fort William
6 would be an invalid assumed mileage?
7

8 A. As I said before, I don't think there is
9 a comparison there because there is no grouping of like
10 traffic that can go from Fort William to Winnipeg on
11 the same basis as from Montreal to Toronto.

12 Q. And the assumed mileage, Victoria to
13 Vancouver is a good one, you don't want them to change
14 that?

15 A. No, we don't want to change ---

16 Q. You don't think it is a good one?

17 A. I say we don't mention whether it was
18 good or bad.

19 Q. Do you feel, on the basis of principle
20 and equality, that it should be also ---

21 A. You are talking about water shipping
22 compared to rail shipment; they are entirely different
23 things.

24 Q. We are talking about miles of assumed
25 mileage?

26 A. There is no railway that operates between
27 here and Victoria on a straight rate basis.

28 Q. But you agree that two water miles being
29 equivalent to one rail mile is a good assumed mileage?

30 A. I would say the mileage should be less



1 than a straight rail mile.

2 Q. What about the one between Vancouver and
3 New Westminster, is that a good or a bad one, where
4 Vancouver gets the same rate as New Westminster?
5

6 MR. BRAZIER: There is ten miles between them.

7 MR. MAURO: Q. Is that one of the ones you
8 say is in violation of the principle of equality?
9

10 A. It does no violence in such a small dis-
11 tance as that.

12 Q. Up to ten miles this Commission can feel
13 satisfied that the Vancouver Board of Trade doesn't feel
14 there is any violence done to the principle of equality?
15

16 A. In that particular area we say there is
17 no violence done to it.
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1 Q. Now, Mr. Elmer, on page 4 you set out in
2 the second last paragraph, and I quote:

3 "It should be possible for a shipper in
4 Vancouver to ship to Brandon at the same rate
5 which an eastern shipper is charged in shipping
6 to the same point, since Brandon represents an
7 approximate equal distance from both shipping
8 centres."

9 And I take it, since the brief is based on principles,
10 that the Vancouver Board of Trade sets that out as a
11 principle that this Commission should have before it,
12 that in the case of Vancouver shipping to Brandon they
13 should be able to do it at the same rate as the shipper
14 from eastern Canada shipping to the same point?

15 A. Over like mileages, for the normal
16 class rated traffic.

17 Q. Secondly, the Vancouver Board of Trade
18 would extend that principle and say that it should also
19 be possible for a Winnipeg shipper to ship to Vancouver
20 at the same or at a lower rate than an eastern shipper,
21 since Winnipeg is 1250 miles closer to Vancouver than
22 the eastern shipper?

23 A. For the basic class rated traffic.

24 Q. For the basic class rated traffic?

25 A. The basic rates.

26 Q. Were you talking now about competitive
27 rates?

28 A. No, I was not talking about competitive
29 rates at all.
30



1 Q. Or anything else -- just basic class
2 rated traffic?

3 A. Yes, just basic class rated traffic.
4

5 Q. Similarly, a Winnipeg shipper should be
6 able to ship to Toronto at the same rate or lower than
7 a Vancouver shipper, since the Winnipeg shipper is 1450
8 miles closer to Toronto?

9 A. On the class rated traffic, yes.

10 Q. You refer to pages 6 and following to this
11 matter of Crow grain rates, Mr. Elmer, and I got the im-
12 pression that you have already come to the conclusion
13 that the Crow rates are non-compensatory, and I know that
14 you would not want to give that impression here, but
15 the Vancouver Board of Trade has not prejudged this case?

16 A. I said in cross-examination this morning
17 that we had to weight the figures which came out to
18 prove whether they were or were not.

19 Q. Then, you say on page 8:

20 "Both the Canadian National and the Canadian
21 Pacific railways have made exhaustive studies
22 on Crow's Nest Pass rates and should be able to
23 establish just and reasonable commodity rates
24 on export grain giving greatest weight to cost
25 of service. The justice and reasonableness
26 of such rates could then be confirmed by the
27 Board of Transport Commissioners. The dif-
28 ference between such established rate and the
29 existing Crow's Nest Pass Agreement rates would
30 provide the basis for the subsidy."



1 You have preveiously mentioned, at page 7, that, "the
2 selling of grain in world markets is a marketing problem,
3 not a transportation problem and no carrier should be
4 compelled to maintain unrealistic rates on any given
5 commodity and then have to charge higher rates on
6 other goods to make up for low rates forced on them by
7 statute."

8 And, in reply to my learned friend Mr.Frawley,
9 you defined cost of service as fully distributed cost,
10 and since this brief is based on principle, I assume
11 that the Vancouver Board of Trade sets out as a prin-
12 ciple that all rates, all rates should meet this same
13 standard?

14 A. Basically, yes.

15 Q. And that if there are any differences
16 between the rates charged and fully distributed costs
17 they should be made up from some other source, but at
18 least they should not be a burden on freight shippers?

19 A. They should not be a burden on freight
20 shippers.

21 Q. And we would include in that, because it
22 is a principle which you are enunciating, all of the
23 services and activities of the Canadian railways in
24 the field of rail transportation?

25 A. Yes.

26 Q. That is correct. Now, you mentioned on
27 page 9, Mr. Elmer, in the concluding paragraph of that
28 section:

29 "A fact-finding committee should be set up
30



1 on a high governmental level . . ."

2
3 Just in an attempt to form some consensus of opinion
4 for the Commission, the Province of Manitoba has recom-
5 mended that a body be organized whose duty would be to
6 do directed research, make policy recommendations
7 covering the whole field of transportation in Canada
8 with the view to coordinating the transportation agencies
9 in land, sea and air, pipelines, and the result, we
10 hope, being a more efficient and economical transporta-
11 tion of people and commodities. Would this concept
12 tie in with your stated policy here?

13 A. I feel it would, as long as they go into the
14 switching items as well. All phases.

15 Q. Now, as far as on page 10, on motor carrier
16 competition, you state:

17 " In the four provinces where intra-provincial
18 motor carrier rates are controlled, there is a
19 reasonable amount of stability in the motor
20 carrier industry. However, there is a need for
21 more cooperation between the provinces in the
22 matter of rate control and interprovincial
23 traffic, or a strict control by a central
24 federal agency."

25 Assuming that central control were established,
26 Mr. Elmer, would the Vancouver Board of Trade expect
27 that the rates set would be tied in any way to the costs
28 with other carriers -- in other words, would truck rates
29 be set at a rate level tied in in any way with rail rates?

30 A. We would not expect that at all, no.



1 Q. The Vancouver Board of Trade, of
2
3 course, realizes that there are many rates in existence
4 that are not tied in with any rates over which Canadian
5 federal or provincial governments have any control,
6 such as the water rates from the Panama Canal. The
7 railways have had to give some fairly decent rates to
8 Vancouver, I understand, because of the competitive
9 factors of the Panama Canal.

10 That, of course, enters into, and neither the
11 provincial governments nor the federal government have
12 any control over that.

13 A. That is right. That is a purely com-
14 petitive condition.

15 MR. MAURO: Thank you very much.

16 MR. McDONALD: Mr. Elmer, my name is A. D.
17 McDonald, and I represent the Canadian National Railways.
18 My friend Mr. Frawley representing the Province of
19 Alberta has often told us that he represents all the
20 people of Alberta. Representing the Canadian National
21 Railways, which is owned by all the people of Canada,
22 I represent all the people of Canada.

23 Mr. Elmer, first, I want to congratulate you
24 on the very excellent brief you have presented on behalf
25 of the Vancouver Board of Trade. We concur in a lot
26 of the views expressed by you therein, and I know you
27 have given it careful study, and I think it is very
28 commendable that a Board of Trade would take this much
29 interest in a matter of this kind. I am sure this
30 Commission will be very interested in your views.



1 As Mr. Frawley has already established that the
2 Boy Scouts in Alberta sell more British Columbia apples
3 than the other province, I do not think there are any
4 questions I need to ask.
5

6 CROSS-EXAMINATION BY MR. SINCLAIR:

7 Q. There are one or two points, Mr. Elmer,
8 that I would like to ask you a few questions on, pos-
9 sibly.

10 I take it, Mr. Elmer, that it is the position
11 of your organization that subsidies should be resorted to
12 only as a last resort?

13 A. That is correct.

14 Q. And only where the true interests of all
15 Canadians are involved?

16 A. That is right.

17 Q. If, for instance, there was only a local
18 interest rather than a national interest involved, you
19 would agree that the subsidy should be a charge on the
20 local interests, rather than on the federal interests?

21 A. We would agree with that.

22 Q. And I take it that, in answer to a number
23 of my friends' questions involving this matter of bridge
24 subsidy, that what you had in mind -- and if this does
25 not properly express it you can please correct me --
26 that it was the position of your organization that
27 established trading relations were being disturbed un-
28 necessarily by the application of a subsidy. Would that
29 be your position?
30

A. They were.



1 Q. There were a number of questions put to
2 you ---

3 A. I would like to answer that a little bit
4 further, Mr. Sinclair, by using Mr. Maurq's words in
5 evidence to the Standing Committee on Railways, Canals
6 and Telegraph Lines, where he says:

7 "We have always taken the position that
8 there are geographical factors of life in
9 this country and that we in Manitoba say
10 that we will have to bear a proportion of
11 the cost to move goods into a particular
12 region, but that we should not have to bear
13 a disproportionate cost."

14 And we are saying the same thing.

15 Q. I was going to ask you about one point
16 that I think was on page 8 of your submission. This,
17 I think, one or two persons asked you about, and that
18 was the question of government guaranteed loans, as the
19 Canadian National have that in effect as the way they
20 raise their capital today, and I take it the matter then
21 would be applicable, in the major railways anyhow, only
22 to Canadian Pacific?

23 A. Yes.

24 Q. And, Mr. Elmer, may I suggest to you that
25 as your organization is interested in assisting the rail-
26 ways in every proper way, has it occurred to you that
27 by having government guaranteed loans there must be a
28 possibility of greater government interference in the
29 railway and possibly misunderstanding by people as to the
30



1 effect of the guarantee? Had that occurred to your
2 organization?

3 A. We did not consider that.

4 Q. Had you considered that there would be
5 possibly an alternative method of doing it, such as
6 under the Income Tax Act, as it now exists; under
7 one of its sections, a special provision is made with
8 regard to the level of tax in regard to steam, electric
9 and gas utilities -- that is, public utilities -- and
10 in that way, when they meet the conditions of the Act,
11 they pay a lesser rate of income tax because of their
12 public utility aspect, and the fact that they are con-
13 trolled in the provinces, they may charge, and in that
14 way they are given some assistance in a proper case
15 such as that. And I presume you consider that a
16 proper case, as it now stands in the Income Tax Act,
17 and that would be an alternative way of meeting the
18 points you make at page 8 of your brief under the
19 question of guaranteed loans. Have you considered
20 that?
21

22 A. No, we have not, Mr. Sinclair. We
23 saw a copy of your brief, but we did not study it in
24 detail, and did not make any recommendation with respect
25 to it. We did not come to a position or policy with
26 respect to that.

27 Q. That, Mr. Elmer, is not a position that
28 was advanced in any brief that Canadian Pacific filed.
29 It was a matter of generality that I am speaking of,
30 and that is a way of assisting a public utility to



1 recognize its position as being under a certain amount
2 of control, and thereby being in the public interest
3 entitled to some different type of taxing.
4

5 Does that strike you as being a matter that
6 this Commission might look at?

7 A. They could look at it, certainly.

8 Q. Now, in regard to this question of obsolete
9 services. My friend Mr. Dickson, as is his wont, and
10 he has been doing this across the country, has asked this
11 question on a number of occasions, and I have asked the
12 one I am going to ask you now, also on a number of
13 occasions, and that is this -- let me give you an
14 example, so we may orient our thinking -- we will deal
15 with passenger train discontinuance. The railways
16 established to the satisfaction of the Board that a
17 passenger train service, because of lack of patronage,
18 is not meeting its costs; it is in a deficit position;
19 and roads, private automobiles, buses, trucks, aeroplanes,
20 or a combination of them -- one or more -- are available
21 in a given area. Would you think that it would be
22 fair to have the statute provide that under those circum-
23 stances, and where the railways had proved that the
24 passenger train service was losing money, that any person
25 objecting to the discontinuance of that service should
26 take the sole burden of proving why it should be neces-
27 sarily continued?

28 A. We haven't gone that far, sir. We have
29 stated that more consideration should be given to abandon-
30 ment. Whether this is before the Board of Transport



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(Sinclair)

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1 outstanding consideration?

2 A. That is how we are using it in this sense,
3 yes.
4



1 Q. There is another question, and it is
2 a matter that seemed to be of substantial interest, and
3 that is a matter you dealt with on page 9 of your sub-
4 mission, and that is the question of other income of
5 Canadian Pacific, and you say:

6 "While the Board of Transport Commissioners
7 should keep in mind the land and other grants
8 given to the Canadian Pacific Railway, trans-
9 portation rates should, as far as possible,
10 stand on their own feet,"
11 and then, further, on page 10, the principle is clearly
12 enunciated there that the users of transportation ser-
13 vice should be willing to pay for that service.

14 Would it be correct that what your organization
15 had in mind was this: as the Board of Transport Com-
16 missioners does it now, they, in looking at the cost
17 of money, look upon the credit of the whole corpora-
18 tion, both rail and non-rail, as establishing that
19 cost of money, and in that way they keep in mind these
20 matters to which you refer that are non-rail; is that
21 what you had in mind?

22 A. That is certainly what we had in mind.

23 MR. FRAWLEY: Are you telling him or asking him?

24 MR. SINCLAIR: I asked the question, and he
25 agreed, Mr. Frawley. Much as it disturbs my friend to
26 find some people who do look at things realistically,
27 I am happy to say that out on the west coast here we
28 have run into quite a few.

29 THE CHAIRMAN: That is a privilege of leading,
30



1 in cross-examination.

2 MR. SINCLAIR: Thank you, sir.

3 Q. There was one further point, Mr. Elmer,
4 that I did wish to ask you one question on in elabora-
5 tion, and that is your point concerning what I think is
6 on page 9 of your submission, and that is what is, in
7 effect, a terminal railway for switching; you remember
8 the part of your brief dealing with that?
9

10 A. Yes.

11 Q. Has your organization given any considera-
12 tion to the dislocations and delays in service where there
13 is a terminal railway, particularly if the area is ex-
14 tended and particularly if it is an involved terminal
15 area such as a seaport?

16 A. We have had many meetings on this in our
17 organization and on all of these problems the general
18 consensus was that at the present time it is so involved
19 that that is why we are asking that a fact-finding
20 committee be set up to determine the exact facts of the
21 entire switching situation in these large centres.

22 Q. One of the factors, I think, which you have
23 to keep very much in mind is not only a question of what
24 might appear to be on the surface a cheaper way of doing
25 it -- and often that is not so; but, secondly, even
26 if it was cheaper, the delays in service and the delays
27 in spotting might very well overweigh whatever cost
28 advantage there was: that is one of the factors to be
29 considered?

30 A. That is one of the factors which we hope a



1 fact-finding committee would determine.

2 Q. It would be a very involved and complex
3 job?

4 A. It would be complex.

5 Q. You are not asking this Commission to do
6 it?

7 A. No, sir; we are asking them to recommend
8 that a fact-finding committee be set up.

9 Q. Thank you. I, like my friend and con-
10 frere Mr. McDonald wish to compliment you and your
11 organization for the very excellent work you have done
12 in transportation, not only today but for many years.
13 I think it is a matter that I do wish to draw to the
14 attention of the Commission that is worthy of note, that
15 there are in this room, which is rather restricted, a
16 substantial number of business men of this community
17 who have evidenced their interest in the proceedings
18 of this Commission by being here.

19 MR. FRAWLEY: Mr. Chairman, I want to make a
20 correction. In my discussion with Mr. Elmer I made
21 the statement, speaking of the rigidity of equalization
22 in Alberta, that Edmonton was 52 miles nearer Toronto
23 than Calgary. I am afraid that in stating that I put
24 it the other way, and I want to state it correctly, that
25 as a result of the application of the Class scale effec-
26 tive the 1st of March, 1955, it was found that Calgary
27 was 52 miles further from Toronto than Edmonton, but,
28 nevertheless, notwithstanding that, Calgary has to
29 accept it and pay on the basis of the extra 52 miles.
30



1 MR. BRAZIER: I think, Mr. Chairman, Mr. Frawley
2 has mentioned this -- and I speak from experience at the
3 moment -- and I am very happy to put the facts on the
4 record, that when the new class scale came in, and as it
5 affected livestock between Calgary and Edmonton to
6 Vancouver -- and I understand there is substantial
7 traffic between those places and Vancouver -- in spite
8 of a very substantial difference in mileage from Edmonton
9 as against Calgary to Vancouver, the rates were made
10 the same from both points to the livestock purchasers
11 here in Vancouver. I am sure my learned friend knows
12 these things work both ways. It was possibly a con-
13 cession made by the railways at the time, but they rea-
14 lized the importance to the producers in the Edmonton
15 area of being able to sell their livestock in Vancouver
16 as against the producers in Calgary, and I do know the
17 railways, after some pressure from local groups in
18 Vancouver, did re-establish those two points on an
19 equal rate basis, and there is something like 200 miles
20 difference between those two points and the City of
21 Vancouver.
22

23 MR. FRAWLEY: Just to make it perfectly
24 clear, Mr. Chairman, there are, of course, special com-
25 modity rates filed from time to time by the railways
26 which will equalize Calgary and Edmonton. There were
27 many more of them before the class rate scale came in,
28 but that, Mr. Chairman, in great deference to my friend
29 Mr. Brazier, is not what I was talking about. I was
30 talking about the rigid application of the class rate



1 scale and exceptions therefrom. It is a matter of
2 record that when the class rate scale was filed there
3 was an important exception, namely, that the mileage
4 from Toronto was taken westbound, and Montreal and
5 Windsor were equalized on Toronto. That is the mileage
6 my friend Mr. Mauro was speaking of. All I am saying
7 is, there was also an exception to the class rate scale
8 in the case of Victoria and Vancouver, which I read
9 into the record -- "made an exception to the class rate
10 scale." All I am saying is, there was no such excep-
11 tion, notwithstanding the fact that Edmonton was 52
12 miles nearer Toronto than was Calgary.

13 THE CHAIRMAN: I think you have made your
14 point.

15 MR. BRAZIER: That is what I was talking
16 about -- the class rate scale on livestock from Edmonton
17 and Calgary to Vancouver.

18 MR. FRAWLEY: Well, if it is the class rate
19 scale, it must be a commodity rate. Call for the
20 traffic officers!

21
22 BY COMMISSIONER GOBEIL:

23 Q. Mr. Elmer, in connection with that bridge
24 subsidy question, I understand on cross-examination by
25 Mr. Mauro that you agreed with him, I believe, that
26 there was no inequity of treatment for commodities moving
27 from British Columbia to the east compared with the
28 prairies to the east?

29 A. From British Columbia to Eastern Canada
30 across the bridge as against Eastern Canada to the



1 prairies west of the bridge -- across the bridge --
2 the situation is the same.

3 Q. On the other hand, when British Columbia
4 wants to compete for the Quebec market against a central
5 region like Toronto and Montreal, then you maintain that
6 Eastern Canada has an advantage over British Columbia?
7

8 A. No, sir, not from central Canada to Quebec.
9 It only applies on goods which move across the bridge.

10 Q. When central Canada competes for the
11 Manitoba market, compared with you, you maintain they have
12 an advantage over you because they go over the bridge?

13 A. That is correct.

14 Q. That is the only inequity you would see
15 in connection with that bridge subsidy?

16 A. That is the inequity we see in it because
17 of the location of the bridge.

18 Q. And it would be the only one that you see?
19 You don't know any others?

20 A. I don't know of any others. It is just
21 shipping to that particular market.

22 BY COMMISSIONER ANSCOMB:

23 Q. Mr. Elmer, you were dealing at page 8 with
24 the question of low interest rate money that might be
25 loaned, obviously to only one railway because the other
26 one gets money anyhow. Where is that money to come
27 from? The national government today is paying almost
28 6 for short and long term money. The Canadian National,
29 themselves, three months ago paid 6 for 300 million.
30 Where is the low interest money to come from?



1 A. That is a question I could not answer.
2
3 We say loaned or guaranteed -- we also say it might be
4 guaranteed by the federal government.

5 Q. Yes, but if it is guaranteed it has to
6 come from somebody. Where is it coming from -- be-
7 cause I would like to find some low interest money?

8 A. We put that forward as one thing the
9 Commission could look at.

10 Q. I know, but with all seriousness, the
11 Vancouver Board of Trade is a very responsible organiza-
12 tion, and when they suggest that, they must have some
13 reason to think the thing is available or, surely, they
14 would not suggest it?

15 A. I am sorry, I do not have the answer to
16 that.

17 COMMISSIONER ANSCOMB: Thank you.

18 BY COMMISSIONER MANN:

19 Q. I have a couple of questions, Mr. Elmer.
20 Are there any spring load restrictions on trucks in
21 British Columbia -- load restrictions during the spring
22 breakup?

23 A. There are restrictions at certain periods
24 of the year.

25 Q. Half load, for instance?

26 A. It could go down to half load at times.

27 Q. So, there could be relative isolation of
28 some communities during certain times of the year if
29 rail service were not available?

30 A. That, of course, would be on one vehicle.



1 The limitations are on one vehicle. They could send
2 two or more vehicles in there and handle the same goods.

3 Q. You have had quite a bit of conversation
4 with various counsel here on the matter of these
5 switching services: as a working traffic manager of
6 quite some experience, you have heard of the Canadian
7 Pacific-Canadian National Act of 1934, have you?

8 A. Yes.

9 Q. Do you think that Act, which enjoined
10 the railways to cooperate, could be a suitable vehicle
11 for bringing about what you have in mind?

12 A. It could help, I think, but there are
13 railways involved other than the C.P.R. and C.N.R.,
14 in this particular area at least.

15 Q. Do you think those other railways, other
16 than the P.G.E., should be brought under the jurisdic-
17 tion of that Act -- if it were possible to do so?

18 A. This is one thing we have not discussed
19 in our brief, but it would certainly appear on the face
20 of it that it would exist in this particular province.

21 Q. On page 10 you say under "Motor Carrier
22 Competition":

23 However, there is a need for more cooperation
24 between the provinces in the matter of rate con-
25 trol on interprovincial traffic . . .",
26 and then your brief gives an alternative to cooperation,
27 and I take this alternative to be strict control by
28 a central federal agency. On page 12, however, you
29 do not give an alternative: you state quite categorically
30



1 that interprovincial motor carriers should be controlled
2 by a central federal agency. I got a little confused
3 with that in that I wondered whether the alternative is
4 the one you have in mind, or whether you want to forget
5 about the question of increasing cooperation between
6 the provinces to achieve this stability?
7

8 A. No, what we mean there is that there
9 should be more cooperation until such time as we do get
10 a central federal agency.

11 Q. Cooperation, in the view of the Vancouver
12 Board of Trade, is an interim stage until something bet-
13 ter can be worked out; is that the idea?

14 A. That is right.

15 Q. When you talk about stability, Mr. Elmer,
16 the traffic managers who work every day with rates on
17 various types of carriers, do they find it helpful to
18 have rates published and easily accessible to them?

19 A. They do.

20 Q. You would not think, perhaps, that
21 publication of railway rates, which is what I have in
22 mind, could be relaxed so that perhaps railway rates
23 might not be published?

24 A. I think that would certainly not be helpful
25 to the shipper if railway rates were not published.

26 THE CHAIRMAN: Thank you, Mr. Elmer.

27 MR. BRAZIER: The next brief, Mr. Chairman, is
28 to be presented by the B. C. Lumber Manufacturers Associa-
29 tion, and my good friend Mr. Gordon Blair is here with
30 his witnesses.



1 MR. BLAIR: Mr. Chairman, I wonder if we
2 may take a short recess first?

3 THE CHAIRMAN: Very well, we will recess
4 for five minutes.

5
6 ---Short Recess.
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1 THE CHAIRMAN: Order, please. Very well,
2 Mr. Blair.

3 MR. BLAIR: Mr. Chairman, I have the honour
4 to represent here three associations; the British
5 Columbia Lumber Manufacturers Association, the Plywood
6 Manufacturers Association of British Columbia and the
7 Consolidated Red Cedar Shingle Association of British
8 Columbia.

9
10 Now, Mr. Chairman, we have filed with the
11 Commission a brief submitted jointly on behalf of the
12 three associations, and we have also filed and distri-
13 buted this afternoon a separate group of statistics
14 which will be referred to in the evidence that is to
15 be given, and a supplementary statement containing
16 evidence which Mr. Armstrong of the Plywood Manufactur-
17 ers Association will give during the course of the
18 afternoon.

19 The evidence today will be presented by Mr.
20 L. R. Andrews, the Executive Vice-President of the
21 British Columbia Lumber Manufacturers Association.
22 With him is Mr. Walter Campbell, who is Chairman of the
23 Railway Freight Rate Committee of the Association, and
24 Mr. John D. Armstrong, the General Manager of the
25 Plywood Manufacturers Association.

26 With your permission, Mr. Chairman, we sug-
27 gest that it would facilitate matters if Mr. Andrews
28 were to read that part of the brief with which he is
29 most familiar, and that Mr. Campbell will then follow
30 and read that part of the brief with which he is most



1 familiar, and then Mr. Armstrong will make a brief
2 statement on behalf of the Plywood Association.

3 THE CHAIRMAN: Put it in as you will.

4 MR. BLAIR: And then the three of them, Mr.
5 Chairman, will be available for cross-examination.

6
7 Mr. Chairman, I call upon Mr. Andrews to
8 present the brief on behalf of the three Associations.

9 MR. ANDREWS: Mr. Chairman and members of
10 the Royal Commission and gentlemen, the members of the
11 following organizations: British Columbia Lumber
12 Manufacturers Association, Plywood Manufacturers
13 Association of British Columbia and the Consolidated
14 Red Cedar Shingle Association of British Columbia wish
15 to express their appreciation for this opportunity of
16 placing before the Royal Commission on Transportation,
17 certain matters in connection with the Canadian rail
18 freight rates structure as it applies to lumber and
19 lumber products, which are of vital importance to our
20 industry and to the economy of the coast region of
21 British Columbia.

22 The importance of the lumber and lumber pro-
23 ducts industries of the coast region of British Columbia
24 to the economy of British Columbia and Canada is indicated
25 by the following table of production for 1958:

	<u>1958 Production</u>	<u>Value</u>
26 Sawn Lumber	2,662 millions of Ft.B.M.	\$173,000,000
27 Plywood	1,124 millions of Sq.Ft.	77,600,000
28 Shingles	1,654,390 squares	19,500,000

29 In 1958, the lumber and lumber products
30



1 industry on the coast of British Columbia, including
2 logging, lumber, plywood and shingle manufacturing,
3 gave employment to 30,000 workers, with an annual pay-
4 roll in excess of \$129,000,000.

5 Rail Freight Rate Increases on Lumber and
6 Lumber Products, 1948 to 1959:

7 The record of the percentage increases in
8 freight rates on lumber and lumber products authorized
9 by the Board of Transport Commissioners commencing
10 April 8th, 1948, is shown on the following table:

11 Flat Percentage Freight Rate Increases,
12 1948 to 1959

13 Effective April 8th, 1948, an	
14 increase of	21%
15 (Add adjustment Mountain Differen-	
16 tial - October 1st, 1949)	
17 June 16th, 1950	20%
18 February 11th, 1952	17%
19 January 1st, 1953	9%
20 March 16th, 1953	7%
21 January 1st, 1957	11%
22 December 1st, 1958	17%

23 The only thing I would like to comment on
24 there is that while there were seven increases in
25 addition to which the mountain differential constituted
26 an increase in the freight rate in 1949, all these
27 increases didn't come as shown; there were four interim
28 increases that were washed out and replaced by the in-
29 creases shown there. This is mentioned because of the
30 fact that every time an increase and an interim increase
takes place, it meant that a new price structure had to



1 be built around our product for shipment to the
2 Canadian market.

3 With the abolition of the mountain differen-
4 tail on October 1st, 1949, lumber rates from British
5 Columbia coast to prairie points were put on the
6 "prairie mileage scale". As an example of this, the
7 rate on lumber, Vancouver to Winnipeg, was increased
8 on that date from 68 cents per 100 pounds to 83 cents
9 per 100 pounds. This naturally compounded the effect
10 of the subsequent flat percentage increases where
11 applied to forest products.

12 The actual rate changes as a result of the
13 above percentage increases in cents per 100 pounds,
14 is as follows: the original rate Vancouver to Winnipeg
15 on Sawn Lumber was $56\frac{1}{2}$ cents per 100 pounds; this
16 went up to \$1.40 -- present rate. For plywood the
17 original rate was $67\frac{1}{2}$ cents per 100 pounds, which is
18 now \$1.46, and the rate on shingles went up from $67\frac{1}{2}$
19 cents per 100 pounds to \$1.45. The original rate on
20 sawn lumber, Vancouver to Toronto, was $88\frac{1}{2}$ cents per
21 100 pounds -- present rate \$1.58.

22 Now, that rate is influenced to some extent,
23 the rate to Winnipeg is influenced by a number of combina-
24 tions and therefore they didn't take the full impact of
25 the seven or eight rate increases, but the rates to
26 Toronto and Montreal also are controlled to a certain
27 extent by the United States competition; that is,
28 shipments from Seattle and the Portland area.

29 Freight Costs Increase:
30



The effect of these increases on the cost of shipping lumber from Vancouver to Winnipeg over this period was as follows: prior to April 8th, 1948, the cost of freight on a carload of lumber, Vancouver to Winnipeg, was approximately \$340 (basis 56½ cents per 100 pounds, on a typical 60,000 pound car). In 1959 this rate had jumped to \$1.40 per 100 pounds, or a cost per car of \$840 -- an increase of 150 per cent. Prior to April 8th, 1948, the cost of freight on a carload of lumber Vancouver to Toronto, was approximately \$530. In 1959 the rate had jumped to \$948.

For the information of the Commission we are filing a total showing the f.o.b. price on lumber, the lumber price f.o.b. the mill, and it is shown yearly from 1948 to 1959.

THE CHAIRMAN: Do you want this marked?

MR. BLAIR: Yes, Mr. Chairman.

MR. CUMMING: That exhibit will be No. 105.

--- EXHIBIT NO. 105: Average selling price of sawn
lumber f.o.b. mill for coast
mills, 1948 to 1959.

MR. ANDREWS: This table, Mr. Chairman, shows the f.o.b. price on lumber at the mill in 1948 was \$72.24, and in 1959 it was \$72.10, and it fluctuated between \$62 and \$86 in that period.

MR. SINCLAIR: Does this include ---

MR. BLAIR: Perhaps Mr. Sinclair will reserve this for cross-examination.

MR. SINCLAIR: If we are going to deal with it



1 we should understand it. I am not so closely associated
2 with the lumber industry as Mr. Blair, and I wouldn't
3 know whether it included timber and stringers, or what
4 it included.

5 MR. BLAIR: I think Mr. Sinclair knows enough
6 about the rules to know he can ask questions later.

7 THE CHAIRMAN: Go ahead.

8 MR. ANDREWS: This price is the average for
9 all grades and species in the coast sawmills by a repre-
10 sentative percentage of the production, and was obtained
11 by special audit and uniform costing system.

12 We also are filing a statement showing the
13 cost of freight per 1000 feet board measure in 1948,
14 and Vancouver to Winnipeg was \$14.69.

15 MR. BLAIR: May we have that as Exhibit 106?

16
17 ---EXHIBIT NO. 106: Freight rates converted to
18 dollars per thousand feet,
19 B.M., Vancouver to Winnipeg
and Vancouver to Toronto.

20 MR. ANDREWS: The rate, Vancouver to Winnipeg,
21 in 1948, was \$14.69, and in 1959 the rate was \$36.40.
22 Vancouver to Toronto, in 1948 was \$23.01 and in 1959
23 it was \$41.08.

24 Coast Shipments Decline:

25 The inevitable result of these drastic per-
26 centage increases, was that while in 1949 some 4,944
27 cars of coast lumber were shipped to western Canada,
28 only 1,659 cars were shipped in 1958 -- a drop of 66
29 per cent. This despite increased coast production and
30 increased prairie consumption and accelerated housing



development.

A similar decline in shipments to Eastern Canada resulted from the increase in freight rates, for instance, to Toronto from $88\frac{1}{2}$ cents per 100 pounds in 1948 to \$1.58 in 1959. Shipments of lumber from the coast of British Columbia to eastern Canada declined during this period from 5,914 cars in 1948 to 3,758 cars in 1958 -- a drop of 36 per cent.

The adverse trend in shipments of sawn lumber from the British Columbia coast to Canadian destinations and shipments of red cedar shingles to Canadian destinations is shown in the following tables:

Shipments of Sawn Lumber
from the
B.C. Coast to Canadian Destinations

	<u>To Western Canada carloads</u>	<u>To Eastern Canada carloads</u>
1948	3,826	5,914
1949	4,944	5,255
1950	3,529	5,224
1951	3,027	5,656
1952	2,503	3,788
1953	2,827	4,447
1954	1,995	3,580
1955	1,905	4,125
1956	2,146	4,488
1957	1,791	3,289
1958	1,659	3,758

Source: D.B.S.



Shipments of Red Cedar Shingles
from the
B.C. Coast to Canadian Destinations

	<u>To Western Canada carloads</u>	<u>To Eastern Canada carloads</u>
--	---------------------------------------	---------------------------------------

1948	1,115	418
1949	1,273	594
1950	976	322
1951	854	287
1952	751	236
1953	846	310
1954	705	256
1955	640	407
1956	456	341
1957	367	283
1958	422	267

Authority: C.R.C.S.A.

MR. BLAIR: At this stage we have three further tables which we would like to file as exhibits. The first is entitled "Distribution of Shipments, 1958 Production -- Shipments -- Stocks -- Coast and Interior Mills." That would be Exhibit 107.

---EXHIBIT NO. 107: Distribution of Shipments for 1958 re production, shipments, stocks at coast and interior mills.

MR. BLAIR: The next is entitled "Production of Shingles in Squares, 1949 to 1958 inclusive", and it will be Exhibit 108.

---EXHIBIT NO. 108: Production of Shingles in Squares for 1948 to 1958 inclusive.



1 MR. BLAIR: The third is entitled "Distri-
2 bution of Shipments of Red Cedar Shingles, 1958", which
3 will be Exhibit 109.

4
5 ---EXHIBIT NO. 109: Distribution of shipments of
6 red cedar shingles for 1958.

7 MR. ANDREWS: Injustice of Flat Percentage
8 Increases:

9 On numerous occasions these Associations
10 have called the attention of the Board of Transport
11 Commissioners to the adverse and discriminatory effect
12 of the application of flat percentage increases in freight
13 rates as applied by the Canadian railways. We would
14 again respectfully bring to the attention of the Royal
15 Commission that:

- 16 (a) This system of applying freight rate
17 increases has in the past distorted rate
18 relationship, particularly to the disad-
19 vantage of long haul shippers.
- 20 (b) Has accentuated existing disparities.
- 21 (c) Has aggravated the geographic disadvantage
22 of West Coast shippers.
- 23 (d) Has destroyed long-standing differentials
24 by assuming that all traffic can bear the
25 same percentage increase, which is con-
26 trary to facts.

27 On this subject the following conclusions
28 and recommendations of the Turgeon Royal Commission are
29 extremely pertinent: (See Page 61 of this Report).

30



1 "1. Applications for uniform horizontal increases
2 to all freight rolls assume that all freight can,
3 under all conditions, bear an equal burden of
4 increase. This is an incorrect assumption.

5 2. Horizontal increases, although preserving rate
6 relationships percentagewise, disturb them in cents
7 per 100 pounds (or other unit) in so far as shippers
8 and consignees are concerned, and this is of much
9 importance to them.

10 3. Horizontal increases aggravate the disadvantage
11 already suffered by long haul shippers and con-
12 signees.

13 4. The remedy does not lie in the prohibition,
14 statutory or other, of horizontal increases, but
15 is in the hands of the railways themselves. The
16 railways should make studies of traffic conditions
17 in all their bearings and should present to the
18 Board, (in accordance with the foregoing precedents)
19 proposals showing not only their maximum percentage
20 increase requirement, but also, among other par-
21 ticulars, varying percentage increases on differ-
22 ent commodities, flat, instead of percentage
23 increases when these are more suitable, and maxima
24 in appropriate cases in cents per 100 pounds or
25 other unit. Special attention should be given to
26 long haul traffic and to rates on basic (or primary)
27 commodities. The railways should be in a position
28 to do this especially in the light of new statisti-
29 cal procedures. But if the railways do not
30



1 approach the task in this way, it ought to be the
2 duty of the Board to see that they do so. Pre-
3 sumably an examination of the 'waybill study'
4 undertaken by the Board will help to provide
5 it with the requisite 'reliable traffic statistics'
6 which it stated were lacking in the 30% appli-
7 cation.

8 5. Legislative amendment to bring about the
9 desired result is not necessary, and it would be
10 difficult to provide an adequately detailed
11 procedure by statute. Each case must stand on
12 its own merits; different considerations will
13 apply under different economic conditions; and
14 undoubtedly different considerations apply in the
15 case of small, as compared to large, increases.
16 It is the sudden shock to the economy caused
17 by large horizontal increases that raises the
18 problem, and this fact should receive the
19 close attention of both the railways and the
20 Board.

21 6. Commissioner MacPherson's statement in the
22 16% Case quoted above (on Page 57) appears to
23 put the question in its true perspective."
24
25
26
27
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29
30



1 Commissioner MacPherson's statement quoted
2 on Page 57 of the Turgeon Royal Commission Report,
3 is as follows:

4 "I concur in the Judgment of the Assistant
5 Chief Commissioner although I would prefer to
6 see some relief given by way of maximum increases
7 on basic materials where the markets are long dis-
8 tances from the source of supply. I realize,
9 however, that the Board cannot deal with the over-
10 all revenue requirements and limit the increase
11 in certain cases. To do so would entail a much
12 more complete study of individual types of traffic
13 than the Board is able to do at the present time.
14 I also realize that the same revenue require-
15 ments would necessitate placing a higher burden
16 on other traffic if maximums were to be pre-
17 scribed.

18 "There is, however, an opportunity to
19 consider this feature in the General Freight
20 Rate Investigation. Furthermore, it is the
21 privilege of anyone at any time to lodge a com-
22 plaint with the Board as to any specific rate
23 considered to be unreasonable or unjustly dis-
24 criminatory. I would also think that the
25 railways will, in their own interests, give
26 careful consideration to any pleas for relief
27 if such are made."

28 We would also submit in this connection
29 evidence of the Vice-President of Traffic, Chicago and
30



1 North Western Railway Company, in his address of May
2 1959 before the Second Annual "Southwestern Transpor-
3 tation Round-up" in Houston, Texas, as follows:

4 "Unfortunately, however, horizontal rate
5 increases have simply driven more and more
6 desirable traffic away from the railways.
7 This is best evidenced by the fact that if the
8 American railways had carried in 1957 their
9 1950 portion of the total intercity freight
10 available in 1957, and had carried it at their
11 1950 rates, their operating revenues in 1957
12 would have been nearly a billion dollars
13 greater than they were."
14

15 Now, the railways, Mr. Chairman, had this put
16 up to them that the system in the United States of per-
17 centage increases had been modified by the application
18 of the per ton or maximum in cents per 100 pounds has
19 enabled them to maintain a very much more equitable
20 rate structure than we have had in Canada. No action
21 has been taken by the railways along these lines.

22 Crow's Nest Pass Grain Rates:

23 The forest industries are advised (C.P.R.
24 submission, October 14th, 1959 on page 10) that the
25 direct loss of revenue to that railway by reason of the
26 statutory and related rates on grain and grain products
27 in Western Canada in 1958 was in the neighbourhood of
28 \$38,500,000, and the C.N.R. (C.N.R. submission, October
29 15th, 1959, on page 3) \$31,300,000, a total of
30 approximately \$70 million for 1958. We submit this



1 loss has had to be made up in a large degree by unduly
2 severe freight rate increases on lumber and lumber
3 products over the past ten years. We are therefore
4 recommending strongly that this situation be corrected
5 along the lines suggested by Chief Justice Sloan in
6 his Award of November 19th, 1954 (Orders in Council
7 P.C. 1395 and 1505), from which we quote, in part,
8 as follows:
9

10 "If I am right in my conclusion that the
11 direct and indirect effects of the Crow's
12 Nest Pass rates are a major contributing
13 factor to the present situation in which
14 the railways find themselves, and the evidence
15 before me can lead me to no other rational
16 conclusion, then it is my respectful opinion
17 that some share at least of this burden should
18 be shouldered by the people of Canada from
19 the national treasury."

20 If and when Crow's Nest Pass grain rates are
21 compensated for to the Canadian railways by way of sub-
22 sidy or other means, it is recommended that there
23 should be a general reduction of rates on lumber,
24 plywood and shingles which largely carried the burden
25 of percentage increases over the past eleven years.

26 This, we believe, should be a condition of
27 whatever remedies are decided on for the railways.

28 THE CHAIRMAN: Mr. Andrews, Mr. Frawley might
29 not agree that that had been proved yet -- those figures.

30 MR. FRAWLEY: We were going to wait. We have



1 a few questions. There is nothing proved yet about
2 this block on grain.

3 THE CHAIRMAN: Yes. Go ahead, Mr. Blair.

4 MR. BLAIR: We did not expect that Mr. Frawley
5 would agree with everything in this brief. We have
6 not attained perfection in this world, Mr. Chairman.

7 I would now like to ask Mr. Walter Campbell
8 to continue with the brief, but before he resumes
9 reading I would like to tender as Exhibit 110 the
10 statement which is entitled "Statement showing spread
11 in lumber rates between Vancouver and Kamloops prior
12 to April 1948; March 16, 1953; February 1, 1955 and
13 January 31, 1960."

14
15 ---EXHIBIT NO. 110: Statement entitled "Statement
16 spread in lumber rates between
17 Vancouver and Kamloops."

18 MR. BLAIR: And I would like to ask Mr.
19 Campbell to explain the significance of these four dates
20 and indicate what the exhibit attempts to show the
21 Commission.

22 MR. CAMPBELL: Mr. Chairman and gentlemen,
23 I presume we can take the statement without going over
24 it piece by piece.

25 The purpose of this exhibit is to point out
26 the inequity, as we feel it, of the lumber industry in
27 the flat percentage increase principle. To clarify
28 it a little further, in 1954 this was the subject of
29 various meetings before the Transport Commission
30 in Ottawa and in Calgary and Vancouver, whereby the



1 differentials from the coast as compared with the
2 interior had grown out of all proportion. As a result
3 of those hearings we set up, roughly speaking, I think
4 the percentage increases were in the neighbourhood of
5 97 or 98 something decimal per cent up to that time,
6 and where our original difference between the interior
7 and the coast was concerned into the prairies. I
8 am speaking of, say, 8 cents; we increased to 16 cents.
9 Where it was 7 cents, to 14 cents; roughly, 100 per
10 cent, to follow the general increase, with the result
11 that our differentials were considerably modified at that
12 time.

13
14 However, the figures will show that since that
15 time they are developing the same trend to get us out of
16 balance again.

17 As an example, from Moose Jaw had risen from
18 10 cents differential against the coast at 17 cents
19 per hundred. It got up to 20 cents, and now it is 25
20 cents a hundred.

21 That is the purpose of that Exhibit 110.

22 MR. BLAIR: The idea, Mr. Campbell, is to
23 show that notwithstanding the statement made in 1955
24 the differentials have begun to expand again?

25 MR. CAMPBELL: That is right. They have
26 begun to mount again.

27 MR. BLAIR: Would you continue?

28 MR. FRAWLEY: Are you referring to an exhibit?

29 MR. CAMPBELL: Yes, Exhibit 110.

30 Lumber and Lumber Products Groupings: A close



1 analysis and comparison of the rail freight rate
2 structure in the United States on lumber, plywood
3 and shingles, as compared to the Canadian rate struc-
4 ture, discloses important anomalies in Canadian rates.
5 The U.S. freight rates, that is from U.S. origins to
6 U.S. destinations, to which the Canadian railways
7 are a party, apply the same rates per 100 pounds on
8 lumber, plywood and shingles, except to blanket territory,
9 (i.e., Northeastern United States).

11 Roughly from the Indiana-Illinois state line
12 east to the Atlantic, north of the Ohio River.

13 Canadian rates, on the other hand, from
14 Canadian origins to Canadian destinations, on both
15 plywood and shingles, carry substantial differentials in
16 higher rates on plywood and shingles compared to lumber.

17 And, here, Mr. Chairman and gentlemen, might
18 I just point out that as an example, from Winnipeg our
19 rate on lumber is \$1.40; shingles are \$1.45 a hundred;
20 plywood, \$1.46. That disparity is more noticeable as
21 you go farther east. In the case of Toronto, the
22 lumber rate is \$1.58, your plywood and shingles, \$1.83
23 per hundred.

24 I mention these points just to point up the
25 differential in lumber versus the plywood or shingles,
26 and this, as we see it, is to fight higher cost to our
27 Canadian carriers for transporting the goods. It is
28 a matter of fact in a great many cases all three com-
29 modities are shipped in mixed cars at the respective
30 rates.



Canadian Lumber and Lumber Products Rate
Structure discriminatory compared with United States:

We would respectfully bring to the attention of the Royal Commission that Canadian shippers are in fact subject to discriminatory rates in the Canadian domestic markets compared to rates for similar distances in the U.S.A. and to which the Canadian railways are a party. Examples:

	<u>Miles</u>	<u>Lumber</u>	<u>Plywood</u>	<u>Shingles</u>
Seattle to Buffalo	2,640	1.47	1.58	1.58
Vancouver to Toronto	2,703	1.58	1.83	1.83
Seattle to New York	2,936	1.47	1.60	1.60
Vancouver to Montreal	2,881	1.60	1.86	1.86
Seattle to Miami	3,459	1.60	1.60	1.60
Vancouver to St. John, N.B.	3,363	1.74	2.02	2.02

MR. BLAIR: Mr. Chairman, before Mr. Campbell goes on, we have here a map prepared by the West Coast Lumbermen's Association, showing lumber and shingle rates from north coast and California coast groups in cents per hundred pounds. I would like to tender this as Exhibit 111. It may assist the Commission in listening to Mr. Campbell's evidence.

---EXHIBIT NO. 111: Lumber and Shingle Rates
from north coast and California Groups.

MR. CAMPBELL: This is further emphasized by the fact that on a movement of lumber, plywood or shingles from Washington-Oregon points to Eastern



1 American destinations, the Canadian railways actively
2 solicit this business for partial haul within Canada
3 in connection with American carriers through established
4 gateways.

5
6 As an example, on a car of the above com-
7 modity moving from Washington-Oregon points to
8 Massachusetts or other eastern U.S.A. destinations,
9 the Canadian National can participate in the haul from
10 Chicago in connection with the Grand Trunk Western and
11 C.N.R. routes through Port Huron, Michigan, and turn
12 over to the connecting New England carriers in Vermont.

13 The Canadian Pacific, likewise, could enjoy
14 a partial Canadian haul from Sault Ste. Marie or
15 Windsor, also for delivery, after a haul in Canada,
16 to New England delivering carriers in the State of
17 Vermont.

18 In the case of lumber, plywood and shingles,
19 both the Canadian carriers would participate in a
20 through rate of \$1.47 per 100 pounds, and \$1.60 per
21 100 pounds respectively, out of which the American
22 carriers would secure the larger percentage of the
23 division of the through rate. On a movement from
24 the British Columbia coast not only are the lumber,
25 plywood and shingle rates to Toronto and Montreal
26 (which are intermediate to New England destinations)
27 higher as indicated in the scale above, but 100 per
28 cent of the earnings would accrue to the C.N.R. or the
29 C.P.R. as the case may be.

30 Another example is the rates on lumber and



1 shingles, Vancouver to Chicago, of \$1.40 per 100 pounds,
2 whereas the rate Vancouver to Winnipeg is also \$1.40
3 per 100 pounds on lumber. Shingles are \$1.45 per
4 100 pounds notwithstanding the facts (a) Chicago is
5 881 miles farther than Winnipeg, and (b) three or
6 four U.S. railways would participate in the revenue
7 of the Chicago cars.

8 We respectfully submit that if our Canadian
9 railways find it compensatory to handle traffic of
10 American and Canadian origins to American destinations
11 at the American level of rates on these three commodi-
12 ties, a revision in Canadian rates on these commodities
13 is more than obvious.

14 We would therefore strongly recommend that the
15 Canadian freight rate structure be given careful study
16 with a view to bringing Canadian lumber and lumber pro-
17 ducts rates more in line with rates for equivalent
18 mileages over U.S. lines.

19 Switching: We also recommend that the pre-
20 sent four-mile interswitching limit be extended. Nation-
21 al expansion and industrial growth has forced industry
22 to seek satisfactory sites on the outskirts of larger
23 centres, which necessitates additional costs by way of
24 extra switching charges.

25 The present four-mile limit from points of
26 interchange is far from adequate. The four-mile limit
27 of $1\frac{1}{2}$ cents per 100 pounds to a private siding, and 3
28 cents per 100 pounds to a public team track is not com-
29 patible with present conditions. Where special
30



1 switching charges are necessary, and which run to six
2 or seven cents per hundred pounds or more, these are all
3 additional to the freight rate, and must be contem-
4 plated in the delivery price of the product.

5 MR. BLAIR: Would Mr. Andrews please
6 read the recommendations?

7 MR. ANDREWS: Mr. Chairman, the B. C.
8 Lumber Manufacturers Association and the Plywood Manu-
9 facturers Association of British Columbia and the
10 Consolidated Red Cedar Shingle Association of British
11 Columbia wish to make these recommendations:
12

13 It is therefore respectfully recommended
14 as follows:

- 15 (a) That groupings be revised so that Plywood
16 and Shingles take the same rate as Sawn
17 Lumber.
- 18 (b) That in future no flat percentage increases
19 will be applied to lumber, plywood and
20 shingles. In each case the railways should
21 be required to maintain a reasonable hold-
22 down on these naturally low cost bulk com-
23 modities, such as lumber, plywood and
24 shingles, where they are subject to a long
25 haul to serve traditional domestic markets.
- 26 (c) We would however respectfully suggest that
27 Canadian railways be given more freedom to
28 abandon non-profitable branch lines and
29 services, and to close stations serving
30 such branch lines.



1 (d) It is recommended that the Royal Commission
2 direct the attention of the government to
3 the possibility of savings in the case of
4 unused spur lines and private sidings more
5 obsolete, thus relieving the railways from
6 local taxes.
7

8 (e) The railways should be encouraged to ex-
9 plore every avenue of economies which
10 might be effected by combining passenger
11 trains, terminals and other facilities, in-
12 cluding express, etc., at stations served
13 by both railways, and be required to share
14 the benefits of such economies with shippers.
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1 MR. BLAIR: Mr. Chairman, at this time I
2 would like to call Mr. John B. Armstrong, the General
3 Manager of the Plywood Manufacturers Association of
4 British Columbia to make a supplementary statement.
5 It has been submitted in the form of a one-page written
6 document, and if it would be the wish of the Commis-
7 sion, it could be marked as an exhibit.

8 MR. CUMMING: Well, it is going to be read
9 into the record, Mr. Chairman.

10 MR. BLAIR: Yes, it is going to be read into
11 the record.

12 MR. ARMSTRONG: Mr. Chairman and members
13 of the Commission, with your permission I would like to
14 read this short statement.

15 The emergence of waterproof-glued fir plywood
16 as a building material is a relatively recent develop-
17 ment. During the second world war, the usefulness
18 of plywood with waterproof glue became evident. In
19 the postwar years, partly as a result of a sustained
20 promotional programme, fir plywood began to take its
21 place in the construction industry as a material with
22 some special advantages in certain applications.

23 The Canadian railways have shared in this
24 development, and in fact we may note that some 12,500
25 carloads of fir plywood were hauled to Canadian desti-
26 nations by the two major railways in 1959.

27 We have a statement we would like to enter
28 now as an exhibit.

29 MR. BLAIR: Mr. Chairman, this is entitled
30



"Shipments of plywood from British Columbia to Canadian destinations."

---EXHIBIT NO. 112: Document entitled "Shipments of plywood from British Columbia to Canadian destinations."

MR. ARMSTRONG: The exhibit entitled "Shipments of plywood from British Columbia to Canadian destinations" lists carload shipments to western Canada and eastern Canada by years, from 1950 to 1959 inclusive, and in general there has been an increase, except that 1959 shows a slight decrease below the figure for 1958.

This growth in the use of plywood is a worldwide development -- one which is not by any means confined to Canada. For example, while Canadian production of fir plywood has grown by 217 per cent since 1948, in the United States the growth has been considerably greater; in fact the increase for U.S. fir plywood over the same period is 311 per cent.

In other words, although the growth of the Canadian plywood industry has been significant, it has not kept up with its American counterpart. The Americans' ability to make such large increases in output and to market it almost entirely in their own country certainly owes something to the favourable freight rate treatment accorded to plywood by United States railways.

Another fact which should be borne in mind is that the unit value (i.e. value per M sq. ft. $\frac{1}{4}$ inch



1 basis) of fir plywood based on DBS figures has in-
2 creased only 8.4 per cent from 1948 to 1957 (the last
3 year for which complete figures are available).
4

5 We have, sir, another statement to file at
6 this time.

7 MR. BLAIR: Mr. Chairman, this is the next
8 exhibit, which is entitled "Douglas fir plywood produc-
9 tion and value."

10 ---EXHIBIT NO. 113: Document entitled "Douglas
11 fir plywood production and
12 value."

13 MR. ARMSTRONG: Mr. Chairman and gentlemen,
14 this exhibit entitled, as Mr. Blair says, "Douglas fir
15 plywood production and value" is taken from DBS figures
16 and shows the quantity of production on the basis of
17 1000 square feet of $\frac{1}{4}$ -inch from the year 1948 to 1957
18 inclusive. It shows the total value of this production
19 in dollars and the unit value, of course, is obtained
20 by extending the first two columns in order to arrive
21 at a unit figure per 1000 square feet. DBS do not
22 publish the third column. We have prepared that our-
23 selves on the basis of the first two columns of figures.
24 You will see there is a rise in unit value from 1948,
25 the figure being \$58.10, to 1957 when it is \$62.99, an
26 increase of about 8.4 per cent.

27 During the period 1948 to 1959, the freight
28 rate on plywood from Vancouver to Winnipeg has increased
29 by 116 per cent, from Vancouver to Toronto by 84.8 per
30 cent; the cost of logs used for plywood manufacture has



1 gone up by 44.7 per cent; and the average hourly
2 earnings of employees in the plywood industry have
3 increased by 57.8 per cent. It is clear that the
4 British Columbia plywood industry is caught in a
5 squeeze between rapidly rising production and shipping
6 costs and a constant, or slowly rising selling price
7 determined by competitive conditions.

8
9 In this country, in contrast to the United
10 States, our industry has been making and will continue
11 to make a strong effort to increase overseas export
12 business so that at least a portion of our production
13 will not be subject to the constantly increasing
14 cost of moving goods to market by rail. In 1950,
15 we exported $\frac{1}{2}$ of 1 per cent of our production, or
16 about 3,300,000 sq. ft. In 1959, following an
17 active promotional campaign, we were able to export
18 10 per cent of production amounting to 117,600,000
19 sq. ft.

20 We have one final exhibit to file, Mr. Chair-
21 man.

22 MR. BLAIR: This exhibit is entitled "Exports
23 of softwood plywood".

24 ---EXHIBIT NO. 114: Document entitled "Exports of
25 Softwood Plywood."

26 MR. ARMSTRONG: Mr. Chairman, I don't need
27 to dwell on this exhibit. It merely shows the change
28 in the position as far as exports of softwood plywood
29 are concerned from British Columbia coast mills to
30 world markets from the year 1948 until 1959. 1948 was



1 the last year of the postwar heavy export, and exports
2 fell off drastically following that year, and are now
3 beginning to revive.

4 In summary, the main points we wish to make
5 in this supplementary submission are:

- 6 1. Realization of the full potential growth
7 of plywood production in British Columbia
8 is being prevented by rail freight rate
9 treatment.
- 10 2. Unless more reasonable rate treatment as
11 outlined in our main submission is accorded
12 to plywood, the railways may find the historic
13 pattern repeating, and plywood may well join
14 coast lumber as another commodity priced
15 out of the domestic market by unrealistic
16 freight rates.

17 MR. BLAIR: Mr. Chairman, that is our sub-
18 mission and these gentlemen are available for cross-
19 examination.

20 CROSS-EXAMINATION BY MR. CUMMING:

21 MR. CUMMING: Mr. Chairman, I understand
22 that it is Mr. Blair's suggestion that all three of
23 his witnesses will stay where they are and they will
24 fill the questions in between them as they see fit.

25 Q. I would like to deal with this, gentlemen,
26 just in the order in which it has gone in, and I would
27 direct your attention, firstly, to the figures which
28 are shown in paragraph 2 of the main brief. You have
29
30



1 shown there some figures and values for 1958 production
2 for sawn lumber, plywood and shingles. Are those
3 figures typical of the British Columbia production of
4 those items, or do they represent a higher or lower
5 level than previous years?

6 MR. ANDREWS: I think they represent the
7 production in 1958. If you are interested in previous
8 years, I think they are available; they are published.

9 Q. Just to be a little more specific, will
10 the 1959 figures be higher, do you expect?

11 MR. ANDREWS: Well, I can't tell you that.
12 They are not completed yet.

13 Q. Where are they published?

14 MR. ARMSTRONG: These figures come from the
15 Dominion Bureau of Statistics.

16 Q. And that is the source?

17 MR. ANDREWS: Except the shingles; I am not
18 sure about that. Those may be the Shingle Association
19 figures, but for lumber and plywood, that is the
20 Dominion Bureau of Statistics figures.

21 Q. Going on to paragraph 4 on this matter
22 of flat percentage increases: has the British Columbia
23 lumber industry had to bear the full impact of these
24 percentage increases which are listed and authorized by
25 the Board since 1948?

26 MR. ANDREWS: Except where the border com-
27 binations and the competitive rates from the United States
28 points force the railways to meet the American price.

29 Q. And that would apply on movements both
30



1 to the prairies and to eastern Canada -- your Ontario
2 markets, and so on?

3 MR. ANDREWS: That is right.

4 Q. You said in your evidence in chief that
5 the eastbound rates on lumber are to some extent
6 affected, as you mentioned a moment ago, by the
7 American rates, the border combinations: can you expand
8 that to give us some idea just to what extent they are
9 so affected?

10 MR. ANDREWS: I haven't got the rates here at
11 the moment showing what the rate would be -- that is, the
12 rate from Vancouver to Winnipeg -- except for the border
13 combination, Seattle to Nichi, North Dakota, and then
14 the local rate from Nichi to Winnipeg. If the full
15 impact of the percentage increases had been applied,
16 my memory is that the rates, instead of being \$1.40
17 per 100 pounds, as they are today, they would be more
18 in the nature of \$1.70 -- between \$1.60 and \$1.70.

19 Q. So that American competition, in effect,
20 then, has operated as a hold-down to that extent?

21 MR. ANDREWS: That is right, and the American
22 rates each have had similar increases almost paralleling
23 the increases in Canada, but in each case there was a
24 hold-down of a maximum of four or six or ten cents per
25 100 pounds, instead of the full impact which maintained
26 the rate relationship between the shipments from the
27 west coast to the consuming central market as in com-
28 petition with southern pine, which is a shorter haul.

29 Q. Have the related rates on eastbound British
30



1 Columbia lumber had the benefit of those hold-downs
2 as well?

3 MR. ANDREWS: Indirectly, by having these
4 border combinations.

5 Q. On the second page you point out that
6 with the abolition of the mountain differential in
7 1949 lumber rates from the British Columbia coast
8 points to prairie points were put on a prairie mileage
9 scale, and you make the statement that this naturally
10 compounded the effect of the subsequent flat per-
11 centage increases where applied to forest products.
12 Can you explain to us how it was or why it was that
13 the abolition of the mountain differential had that
14 apparently adverse effect on British Columbia lumber?
15

16 MR. ANDREWS: Well, the railways took
17 advantage of the abolition of the mountain differen-
18 tial to put in the prairie mileage scale. Admittedly,
19 that might have reduced the rates to, say, Calgary
20 and Edmonton, but to Winnipeg it added 15 cents per
21 100 pounds on to the then rate after the 21% Increase
22 and then the 20% increase on top of that, and,
23 accumulatively, it meant increasing the rates all
24 along the line.

25 Q. Was that result expected by those who
26 advocated the abolition of the mountain differential?

27 MR. ANDREWS: Well, that is a hard question
28 to answer. We opposed the abolition of the mountain
29 differential because we were fearful the railways
30 would take the opportunity to raise our rates, which



1 they did.

2 MR. FRAWLEY: This is just what the Province
3 of British Columbia asked for.

4 MR. CUMMING: Q. I refer you for a moment
5 to Exhibit 105 which you filed this afternoon, and which
6 you have put in, as I understand it, to show the
7 Commission that the selling price of British Columbia
8 lumber is a cut below its 1948 level today, and we
9 note that there have been some fairly marked fluctua-
10 tions in selling prices during the intervening ten or
11 eleven year period. What, briefly, accounts for those
12 fluctuations?

13 MR. ANDREWS: I don't just know how to answer
14 that. That was the market price during that period.

15 Q. This would be market conditions solely?

16 MR. ANDREWS: That is right.

17 Q. . . . that would be reflected in these?

18 MR. ANDREWS: That is right.

19 Q. And not rate considerations?

20 MR. ANDREWS: No, this is f.o.b. mill price;
21 there is no freight in that.

22 Q. The rates which are shown on Exhibit 106
23 are, I take it, the rates that are actually in force as
24 shown opposite the 1959 -- those are competitive rates,
25 are they, for the movements?

26 MR. ANDREWS: Yes, those are competitive rates.

27 Q. And they are converted to a cost in dol-
28 lars per 1000 board feet, I am instructed -- and correct
29 me if I am wrong -- on the basis of 2600 pounds per
30



1 1000 board feet?

2 MR. ANDREWS: That is right.

3 MR. CUMMING: Mr. Chairman, I note it is
4 four o'clock. I have a certain amount more that I
5 had outlined, and I could shorten it up a bit if I
6 have overnight to deal with some of the exhibits.

7 THE CHAIRMAN: Well, we will adjourn now
8 until 9.30 tomorrow morning.

9 ---Adjournment.
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Mr. Mr. Deane

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

VANCOUVER

British Columbia

VOLUME No.:

40

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12 ROYAL COMMISSION ON TRANSPORTATION

Proceedings of Hearings held in
the Hotel Vancouver, Vancouver,
British Columbia, on the 24th
day of February, 1960

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Andrews, cr.-ex.
(Cummings)

Vancouver,
British Columbia,
Wednesday,
February 24th, 1960

---On commencing at 9:30 a.m.

THE CHAIRMAN: Order, please.

Now, we had allotted two days, as you know, to Vancouver, figuring that we would finish in two days. However, it would appear as if we are running behind, and the Commission has decided to sit here tomorrow as well. This room must be vacated by three o'clock, so that is the deadline for us to sit.

I am sure that Mr. Brazier can make arrangements in connection with the B.C. Brief so that that can be read in and cross-examination take place in Ottawa.

Now, we will get on this morning, and, Mr. Cumming, will you please proceed.

CROSS-EXAMINATION BY MR. CUMMING :

Q. Very well, Mr. Chairman.

Dealing first for a moment with one little point that arises in connection with paragraph six,

Mr. Andrews, I am instructed that the rate that is shown there of \$1.40 per hundred pounds is a



Andrews Cr.-ex.
(Cumming)

1
2 combination rate, and that the published Canadian
3 tariff is \$1.46; is that correct?

4 MR. ANDREWS: Would you repeat that
5 question, please?

6 Q. In paragraph six there is a rate
7 which is referred to as having risen in 1959 to
8 \$1.40 a hundred pounds. I am instructed that that
9 is an American combination rate and that the
10 published rate is \$1.46. Am I correct in that?

11 MR. BLAIR: You refer to the rate Vancouver
12 to Winnipeg?

13 MR. CUMMING : Vancouver to Winnipeg, yes.
14 Perhaps you might have an opportunity to check that.

15 MR. CAMPBELL: That is the rate based on
16 the American combination, Mr. Cumming .

17 MR. CUMMING : Q. In paragraph 7 you give
18 some figures showing a decline of shipments of
19 Coast lumber of Western Canada from 4944 cars in
20 1949 to 1659 cars in 1958. Does that indicate some
21 shift in the market or some diversion of the export
22 of West Coast lumber to other markets than Western
23 Canada?

24 MR. ANDREWS: Well, Mr. Cumming , we feel
25 that the increase in freight rates has been a major
26 factor in that decline in shipment to our Canadian
27 domestic market.

28 Q. And I take it, then, that the lumber
29
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Andrews Cr.-ex.
(Cumming)

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2 that was shipped formerly to the Western Canadian
3 market is now going elsewhere?

4 MR. ANDREWS: That is so.

5 Q. And similarly, in paragraph 8, you
6 refer to the decline of shipments and the movements
7 to Eastern Canadian markets. Is it your suggestion
8 or submission that that is entirely due to rising
9 freight rates?

10 MR. ANDREWS: No, Mr. Cumming, it is not
11 entirely due to increase in freight rates. What
12 has actually happened, is that those grades of
13 lumber which we find difficult to find markets for
14 and which should be absorbed, we think, in our
15 Canadian domestic market, are not now possible to
16 ship to the Canadian domestic market on account of
17 the rates.

18 Q. What other factors account for the
19 decline, apart from rising freight rates?

20 MR. ANDREWS: There may be many factors.

21 Q. Could you give us some example?

22 MR. ANDREWS: Well, we think the principal
23 factor is the factor of freight rates.

24 Q. In paragraph 9 there are set out some
25 figures relating to the shipments of red cedar shingles
26 from the British Columbia coast to Canadian destinations
27 and they, too, show a marked decline. Once again,
28 can that drop be attributed to freight rates, or is it
29
30



Andrews Cr.-ex.
(Cumming)

as much attributable to the introduction and
development of substitute products like asphalt shingles?

MR. ANDREWS: It is very difficult to say
which is the most important factor. We believe
freight rates, freight rate increases, are one of the
most important factors.

Q. Your Exhibit 108 sets out the production
of shingles and squares in the period 1948-1958,
and there we see a very marked decline from ^{the} 1953 to
1955 period down to a much lower level in 1958. Can
you tell the Commission what has been the cause
of that?

MR. ANDREWS: That is Exhibit 108?

Q. Yes, Exhibit 108, the Production of
Shingles.

MR. ANDREWS: The decline in the demand
for shingles has brought about ^a decline in the
production of shingles.

Q. And I take it, then, that your submission
is that that, too, can be laid at least in part to
rising freight rates?

MR. ANDREWS: That's right.

Q. Would you look for a moment at Exhibit
109, the next one, showing the Distribution of
Shipments of Red Cedar Shingles.

I note that in 1958 there were some twenty-six
thousand shipped to Ontario and twenty-six hundred to



Andrews Cr.-ex.
(Cumming)

Quebec, but over thirty-seven thousand squares shipped to the Maritimes, a longer haul.

Can you explain to the Commission how that more distant market has held up, while there seems to be a much smaller market in the closer central Canada market?

MR. ANDREWS: The use of cedar shingles for roofing in the Maritimes is traditional. It has been a very good market for our shingles for many years, and much greater consumption of shingles in the Maritimes than there has been in Ontario or Quebec.

Q. Than in the Ontario and Quebec market where there have been inroads of competition from other substitute products?

MR. ANDREWS: That's right, yes.

Q. We were discussing yesterday, Mr. Andrews, this question of the U.S. related rates. Can you give the Commission any figures or estimates as to the proportion of British Columbia lumber which moves east on these related rates as distinguished from the purely Canadian rates? Do you have such figures available?

MR. ANDREWS: I don't understand your question, Mr. Cumming .

Q. You mentioned yesterday that certain of the rates which are applicable to the movement of coast



Andrews Cr.-ex.
(Cumming)

1
2 lumber to the Western Canadian markets are what you
3 would call combination rates, and that they are to
4 some extent held down because of their relation with
5 the American rates.

6 What I was trying to get at was how much of
7 the B.C. lumber moves on combination rates and how
8 much on rates which are unaffected by American rate
9 conditions?

10 MR. ANDREWS: The freight lumber shipments
11 movements from Vancouver to Regina and east are
12 affected by the border combination between Vancouver
13 and those points where the possibility of shipping
14 on the U.S. rates to Nicchi, North Dakota, and a
15 local rate from Nicchi, North Dakota to Winnipeg,
16 Brandon, Regina. To those points the combination
17 rates are affected, and are in effect the hold-down
18 on the rates which otherwise would have been applied
19 due to the flat percentage increases.

20 Q. I see. And I take it that the benefit
21 of that combination and its resultant hold-down does
22 not apply on points west of Regina?

23 MR. ANDREWS: That is right.

24 Q. In paragraph eleven on page 4 of your
25 submission, you set out a quotation from the Turgeon
26 Report and I refer particularly to the recommendation
27 that is contained in paragraph four of that quotation.

28 Can you tell us, sir, whether there has been
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Andrews -Cr-ex.
(Cumming)

any indication of willingness on the part of the railways since the time that this report was made to give effect to the recommendations that were contained in it?

MR. ANDREWS: Not to my knowledge, Mr.Cumming .

Q. Do you have any suggestions to make to the Commission as to what could be done to bring those recommendations into operation?

MR. ANDREWS: Well, we have done everything that we can to try to have the railways apply hold-downs and we have suggested these hold-downs should be very similar to the ones which the carriers in the United States, the shippers, and the Inter-State Commerce Commission approve on the recent increases on the American side.

Q. Does your Association take the position that if that does not come about there should be some legislation to bring it about?

MR. ANDREWS: Well, we have taken the suggestion or recommendation of the Royal Commission, and we have tried to negotiate with the railways to bring it about that way.

We have not been successful, and we are now suggesting to this Royal Commission that some other means be found to bring that about.

Q. Even if that means some sort of compulsion?



Andrews Cr.-ex.
(Cumming)

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2 MR. ANDREWS: That's right.

3 Q. On page 6, dealing with the question of
4 the Crowsnest Pass rates, Mr. Andrews, you put forward
5 the suggestion that there should be a subsidy. Does
6 your Association have any views as to how that
7 subsidy should be paid?

8 MR. ANDREWS: No. I don't think, Mr. Cumming,
9 that we have got any convictions on the matter. We
10 think there are possibly three alternatives. One
11 would be the suggestion or recommendation made by
12 the railways, by the Canadian Pacific Railways,
13 that it would be accomplished by way of the Income
14 Tax. Another suggestion would be that you would
15 operate in the nature of --the subsidy operate
16 through the wheat pool, and payments made the same
17 as returns for the sale of wheat.

18 The other matter of straight subsidy to the
19 farmers; we don't think that is perhaps very
20 desirable -- the farmers are getting subsidies for
21 various things. And we think it should be handled
22 in a different way so that the railways benefit
23 and are permitted to put in proper rates and to
24 adjust rates on basic commodities such as lumber and
25 lumber products more in line with what rates should
26 be.

27 Q. In any event, if any subsidy of either
28 of those, or of any of those forms is to be given
29
30



Andrews Cr.-ex.
(Cumming)

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2 it is your submission that concomitant with it there
3 should be a reduction in rates?

4 MR. ANDREWS: That's right.

5 Q. Do you suggest that that reduction
6 should be concomitant to lumber, or should it apply
7 to other commodities as well?

8 MR. ANDREWS: Mr. Cumming , I think we have
9 to stick to the suggestions in connection with lumber.

10 Q. Have you any suggestion as to the
11 extent of the reduction which should be made?

12 MR. ANDREWS: We think, Mr. Cumming, that
13 our freight rate structure should be very close in
14 the level of rates to that for similar distances in
15 the United States. We benefit by parity with
16 American shippers.

17 Q. Your Association, then, I take it,
18 would be content if you were in a parallel situation
19 with your competitors in the United States?

20 MR. ANDREWS: I think that's right, yes.

21 Q. Dealing for a moment with this question
22 of lumber and lumber products groupings, you point
23 out in paragraph 16 that lumber, plywood and shingles
24 all bear the same rates. Lumber and plywood, I take
25 it, differ in value for the equivalent weights;
26 do they not?

27 MR. ANDREWS: That is a very difficult
28 question to just say Yes or No to. I think that a
29
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Andrews Cr.-ex.
(Cumming)

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2 carload of plywood could be about the same value as
3 the carload of a certain grade of lumber, but there
4 are grades of lumber and grades of plywood, as well.

5 Q. I see. Well now, can you tell us
6 what reason exists at the present time for the
7 disparity in the Canadian rate on lumber as against
8 plywood?

9 MR. ANDREWS: I don't know, other than the
10 fact that the C.P.R. and the C.N.R. think they can
11 get a higher rate for plywood and shingles than
12 they had from lumber.

13 Q. In the United States it apparently is the
14 same rate applicable to plywood and lumber, except
15 in what is referred to as blanket produce rates?

16 MR. ANDREWS: That's right.

17 Q. Now, why is there a difference in the
18 rates on plywood and lumber in that area?

19 MR. ANDREWS: The rates on plywood, particularly,
20 and shingles in the United States were arrived at
21 by negotiations, and trial basis of that negotiation
22 was both for the carriers and the producers to
23 increase their market for this commodity, and thereby
24 increase the freight revenue to the railways, and the
25 blanket area gives a lower rate than outside the
26 blanket area, and the carriers and the shippers did
27 not arrive at a special rate for plywood and shingles
28 the way they did for lumber in that blanket area.
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Andrews Cr.-ex.
(Cumming)

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Q. It was, I take it, just the result -----

MR. ANDREWS: There are other factors concerning that. In the blanket area, there is a higher minimum on lumber, fifty thousand pounds against forty-four thousand pounds.

Q. Are there differences in the minimum weights on lumber and plywood applicable for Canadian movement?

MR. ANDREWS: Yes.

Q. Is that a reason for the difference in rates?

MR. ANDREWS: No, I don't think so.

MR. CUMMING: I want to go on to paragraph 25 on the question of switching. Would you, for the benefit of the Commission, explain what the four mile inter-switching limit is and how it operates, and also why these present rates are incompatible with present conditions?

MR. ANDREWS: Mr. Campbell will answer that.

MR. CAMPBELL: The four mile interswitching limit has long been the maximum mileage from which competitive rates would apply to delivery on the lines of another carrier, and with the expansion of industry and the seeking of suitable sites, outside of the district, or closer in points, they are forced to go further afield for location.

I understand that this has been a subject that



Andrews Cr.-ex.
(Cumming)

1
2 the railways have had under consideration for some
3 time, but up to the present time there has been no
4 change in that standard rule where you pay $1\frac{1}{2}$ cents
5 per hundred pounds for delivery to a private siding
6 and three cents per hundred pounds going to a team
7 track. Of course, on competitive business the
8 railways will absorb the full interswitching, but
9 on non-competitive business - I am still speaking
10 within the four mile limit - the railway that gets line
11 haul will absorb 50 percent or three-quarters of a
12 cent per hundred going to private sidings and $1\frac{1}{2}$ cents
13 going to public team track.

14 MR. CUMMING: Has your Association any
15 specific suggestion as to what sort of an extension
16 there should be?

17 MR. CAMPBELL: That is a very difficult thing;
18 we don't feel qualified to set a limit, Mr. Cumming,
19 but it should be, we feel, considerably enlarged to
20 what it is now owing to the conditions that I explained,
21 that people have to go that much further afield.

22 MR. CUMMING: Is it something that could vary
23 from place to place, or should it be standard all
24 across?

25 MR. CAMPBELL: I think it should be standard;
26 otherwise you will run into discrimination and
27 complaints.

28 MR. CUMMING: Coming then to the matter of
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Andrews Cr.-ex.
(Cumming)

1
2 the recommendations that your Associations make,
3 Paragraph 27 (b); you suggest the railways should
4 be required to maintain a reasonable hold-down on
5 the low cost bulk commodities, such as lumber. I
6 take it, what you said earlier that the hold-downs
7 that you feel would be reasonable would be the same
8 as the American hold-downs, is that what you had in
9 mind in this paragraph?

10 MR. ANDREWS: Yes.

11 MR. CUMMING: In Paragraph 27 (c) when you
12 deal and make a recommendation with reference to
13 abandonments, have you any specific suggestions here
14 as to how the railways might be given more freedom
15 as regards abandonments^{of} services or lines?

16 MR. CAMPBELL: May I answer that. The
17 Association feels that we have no specific areas in
18 mind, but with the network of Transcontinental railways
19 being so immense as they are, there must surely be
20 cases within that area that permit further economy
21 in that regard.

22 MR. CUMMING: With reference to Paragraph 27 (d)
23 have you in mind any specific instances of unused
24 spur lines and obsolete private sidings which might
25 be relieved of their tax burden?

26 MR. CAMPBELL: The same answer would be
27 applicable as to the previous question.

28 Q. I take it that what your suggestion is
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Andrews Cr.-ex.
(Cumming)

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2 in both these aspects is that the whole matter be
3 surveyed ?

4 MR. CAMPBELL: Yes.

5 Q. And one last matter in connection with
6 Paragraph 27 (e), do your Associations have any
7 suggestion to make as to the extent, if at all,
8 that the railways should combine in the operation of
9 Transcontinental passenger service?

10 MR. CAMPBELL: That again would be a matter
11 of survey of the railways individually, and they
12 would have the productivity or remunerative figures
13 as far as the various operations are concerned.

14 Q. And just to follow that along, are you
15 of the view that the question of the operation of
16 Transcontinental passenger trains should be operated
17 in combination and that that be left to the railways,
18 or should that be something -----

19 MR. CAMPBELL: Very definitely left to the
20 railways.

21 Q. It is a management problem.

22 MR. CAMPBELL: Yes.

23 Q. Thank you, Gentlemen.

24 MR. HUME: No questions.

25 MR. DICKSON: No questions.
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Andrews Cr.-ex.
(Doherty)

CROSS-EXAMINATION BY MR. DOHERTY:

Q. Mr. Andrews, in Paragraph 5 on page 2 you speak of the original rate from Vancouver to Winnipeg, and I was just curious to know what you had in mind. Do you have a particular year in mind? It is Paragraph 5 on page 2. The original rate, Vancouver to Winnipeg on sawn lumber.

MR. ANDREWS: I can't tell you how far back that rate went, but offhand I think it was in 1924 or 1925, and from that time on to April 8th, 1948, the rate to Winnipeg from Vancouver for lumber was 56½ cents, and there were no changes in that interval.

Q. Do you have figures to show the value of the plywood at the time ^{that} this original rate went into effect? I was interested in knowing just what the change in the value of the product was over the same period you mentioned.

MR. BLAIR: Do you mean the value of plywood or lumber?

MR. DOHERTY: Q. I think you mentioned both; you mentioned plywood and sawn lumber, and I wonder what the spread in the price of the product was over the same period of time.

MR. ANDREWS: The rate on lumber was 56½ cents per hundred pounds, and the rate on plywood was 57½ cents per hundred pounds.



Andrews Cr.-ex.
(Doherty)

1
2 Q. That is freight?

3 MR. ANDREWS: Yes.

4 Q. Could you tell us what the value of
5 the product itself was at the same time that you
6 mentioned in the original rate, at the same time as
7 you are speaking -- I am interested in the value
8 of the product at the time of this lowest rate which
9 you mentioned.

10 MR. BLAIR: Mr. Chairman, I don't like to
11 interrupt, but I think in part the answer to Mr.
12 Doherty will be found in Exhibit 105, which shows
13 the average selling price of lumber in 1948.

14 THE CHAIRMAN: F.o.b. the mill.

15 MR. BLAIR: Yes, f.o.b. the mill, and again
16 in Exhibit 113, which shows the unit value of plywood
17 for the years 1948 to 1957. I don't think it would
18 do the Commission or the parties too much good to
19 go back to what the value of these products might
20 or might not have been in 1920, but we are concerned
21 in this submission with the post-war trends and we
22 have tried to relate their rates to the prices which
23 have prevailed since 1948. I am sorry, Mr. Doherty,
24 to interrupt you.

25 MR. DOHERTY: Q. I quite appreciate that
26 we have the values of the product as of 1948, but
27 it seems to me that in Paragraph 5 you are making a
28 comparison between some period ending in 1959 and then
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Andrews Cr.-ex.
(Doherty)

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2 going back some considerable period earlier than 1948,
3 is that not true?

4 MR. ANDREWS: As far as freight rates are
5 concerned, yes; reference goes back to that period
6 when the rates were not changed, from 1924 or 1925
7 right up to 1948. Now, if you want an average
8 selling price on lumber and plywood back beyond that
9 time, we can get it for you, but I just don't have
10 it here.

11 Q. It was a comparison figure which I
12 had in mind. I thought, perhaps, that you had it
13 with you there.

14 May we now, Mr. Andrews, look at page 6,
15 Paragraphs 14 and 15, and in Paragraph 14 about half
16 way down you say, "We submit this loss has had to
17 be made up" - I think you can appreciate, Mr. Andrews,
18 that we take the position that this loss has not yet
19 been established, but assuming for the moment there
20 is a loss from whatever cause, whether the Crowsnest
21 or passenger, competitive or whatever it may be,
22 then you are suggesting there should be a subsidy
23 paid, as I understand it, is that correct?

24 MR. ANDREWS: Yes, some form of subsidy.

25 Q. In Paragraph 15 you recommended a
26 subsidy and yet when I go to the back of your
27 recommendations it would appear to me there is no
28 recommendation in the list of recommendations as to
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Andrews Cr.-ex.
(Doherty)

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2 the method of dealing with the subsidy, and I am
3 wondering if it was a change of thought when you
4 reached the summary and the recommendations?

5 MR. ANDREWS: Would you suggest that we
6 repeat the recommendations at the end?

7 Q. I was suggesting nothing, I was just
8 curious why it wasn't included in the list of
9 recommendations as it was in Paragraph 15.

10 MR. ANDREWS: I imagine we thought we pretty
11 well covered it.

12 Q. In Paragraph 15?

13 MR. ANDREWS: Yes.

14 Q. But you still leave it as a recommendat-
15 ion?

16 MR. ANDREWS: Yes.

17 Q. Mr. Andrews, if there is this loss -
18 assume there is this loss and the subsidy is paid,
19 your recommendation would be that there would be
20 a reduction in the lumber of rates?

21 MR. ANDREWS: Yes, if the railways are
22 compensated for their losses in handling freight,
23 that that compensation be a factor in adjusting
24 rates for commodities which are, we feel, unduly
25 high as a result of that.

26 Q. What had you in mind with respect to
27 the mechanics affecting this reduction?

28 MR. ANDREWS: I don't believe we made any
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Andrews Cr.-ex.
(Doherty)

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2 recommendations on^{the} mechanics, except to examine very
3 carefully the proposals of the railways, the Canadian
4 Pacific Railway, and other means for affecting
5 adjustments.

6 Q. Would you suggest or consider, Mr.
7 Andrews, that if this subsidy were paid to the railways
8 that as an automatic thing that would roll back the
9 rates on lumber?

10 MR. ANDREWS: That is what we recommended.

11 Q. You are not suggesting there be some
12 statutory provision?

13 MR. ANDREWS: No.

14 Q. Would you agree with me, Mr. Andrews,
15 if this subsidy is paid for whatever the loss may be,
16 and as far as the roll back in the shipping rates
17 on lumber is concerned, would you agree with me
18 that would in fact be a subsidy of the lumber rates?

19 MR. ANDREWS: I don't think so, I think
20 that the rates are out of line now and it would be
21 merely an adjustment to a more equitable rate on
22 lumber and lumber products.

23 Q. It would take a larger sum of money,
24 I suggest, to compensate people for losses, and if
25 you have a roll back on rates on lumber it seems to
26 me it would require a larger sum of money by way of
27 subsidy than otherwise would be the case; would that
28 be so?
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Andrews Cr.-ex.
(Doherty)

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2 MR. ANDREWS: It could be.

3 Q. Assume that some particular sum of
4 money in the subsidy was designated or set aside for
5 this roll back, would that be the case?

6 MR. ANDREWS: Well, I think that that position
7 hasn't been arrived at yet as a means of adjusting
8 these rates, that hasn't been worked out yet.
9 We suggest it could be worked out.

10 Q. You would have no objection, of course,
11 to a sum of money being provided for this purpose
12 by way of subsidy?

13 MR. ANDREWS: I don't quite understand that.

14 Q. As I understand it, it will take an
15 additional sum of money if we are going to have a
16 roll back on the rates, and I suggest to you this
17 additional sum of money would be for the specific
18 purpose of assisting the lumber rates, having in
19 mind your suggestion here, and that would be,
20 perhaps, in effect, a subsidy to the lumber rates.

21 MR. ANDREWS: Well, I think many other
22 commodities would have to be brought into this
23 picture, not just lumber and plywood.

24 Q. Yes, thank you.
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CROSS-EXAMINATION BY MR. FRAWLEY:

28 Q. Mr. Andrews, probably my questions
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Andrews Cr.-ex.
(Frawley)

are more for Mr. Campbell.

Mr. Campbell, Mr. Armstrong's statement has some percentages in it which I wish you would look at for a moment. Mr. Armstrong's statement indicates that the increase in rate, 1948 to 1959 to Winnipeg, that the rate is increased by 116 percent. This is Mr. Armstrong's statement.

MR. BLAIR: What paragraph?

MR. FRAWLEY: Q. It is Paragraph 5, the percentage increases. Do you see that? It says that during the period 1948 to 1959 that the freight rate on plywood from Vancouver to Winnipeg the rate was increased by 116 percent, and then in the other case it was 84.8 percent; do you have any similar figures or do they also apply on lumber?

MR. CAMPBELL: The lumber figures, Mr. Frawley, to Winnipeg - it is 150 percent.

Q. 150 percent?

MR. CAMPBELL: That is right.

Q. And on plywood it is only 116?

MR. CAMPBELL: That is Mr. Armstrong's figure.

Q. Is there a brief explanation for that which you could give us, Mr. Campbell?

MR. CAMPBELL: The plywood traffic into Winnipeg again is controlled largely by the border combination that is applicable to the plywood as well



Andrews Cr.-ex.
(Frawley)

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2 as the lumber; however, in making up the combination
3 rate it is subject to a higher rate from the border
4 point than the lumber.

5 Q. The local rate?

6 MR. CAMPBELL: That is right.

7 Q. From the border into Winnipeg?

8 MR. CAMPBELL: Yes.

9 Q. And that explains why the lumber rates
10 have gone up by 150 percent in that period and the
11 plywood only 116.6 to Winnipeg?

12 MR. CAMPBELL: There is another factor to be
13 considered, Mr. Frawley; it is the premium, shall we
14 say, and the freight rate that would apply on the
15 plywood, it started out and has remained considerably
16 higher than the lumber, so the percentage of increase
17 I think, would automatically be less.

18 Q. Yes. So that, during the period 1948
19 to 1959, when the general level was increasing by
20 157 percent, your lumber to Winnipeg paid 150 percent?

21 MR. CAMPBELL: That is right.

22 Q. But Mr. Armstrong's plywood only paid
23 116 percent?

24 MR. CAMPBELL: Yes.

25 Q. Take Toronto: Mr. Armstrong's figure
26 is that the rate from Vancouver to Toronto went up
27 by 84.1 percent; what would be the comparable
28 figures in lumber?
29
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Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

MR. CAMPBELL: It was 88½ percent ---
approximately 80 percent, I think.

Q. Counsel for Manitoba has a figure of
79 percent?

MR. CAMPBELL: I would accept that.

Q. What is the explanation of that being
even more favourable than the plywood situation?

MR. CAMPBELL: Again, the lumber rates,
in Eastern Canada have enjoyed lower rates far more
than plywood.

Q. And, as a matter of fact, it is all
due to the fact that your rates are geared to the
rates from Tacoma?

MR. CAMPBELL: We received downward adjustments
back in 1951. At that time the rate on lumber from
the Oregon-Washington shipping points into Eastern
Canada were higher than the coast operator paid
into our Eastern Canadian markets. As a result of
the meeting with the railway executives in Montreal
at that time, they agreed to lower the rates to be
the same as the American rates into the same areas.

Q. But, generally speaking, your rates
from Vancouver to Eastern Canada enjoyed the same
hold-downs as the Tacoma rates enjoyed?

MR. CAMPBELL: Identical.

Q. And that, probably, explains why the
general level of rates in Canada during that decade



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(Frawley)

was going up 157 percent, and lumber to Eastern
Canada only went up 79 percent?

MR. CAMPBELL: That is right.

Q. What did it go up from the coast ^{to} that
part of Western Canada west of Regina that you were
telling us about this morning -- what would have
been the increase during that decade?

MR. CAMPBELL: I haven't got those percentages.
I can give you what the present rates are to Calgary
or Edmonton. Our lumber rate at the present time
to Calgary is 88 cents a hundred pounds, and to
Edmonton it is one dollar a hundred pounds.

Q. If you have the comparable percentages,
without too much trouble?

MR. CAMPBELL: I can give you the rates that
were in effect in 1948. The rate to Calgary was
50 cents as compared to 56½ to Winnipeg -- this
is prior to April the 8th, 1948, the 21 percent case.
Edmonton was 54 cents as against one dollar now,
and Calgary 50 cents versus 88 cents.

Q. Thank you for putting those figures on
the record, and a person can make his own percentages.

MR. CAMPBELL: That also represents a
reduction effective on August the 1st; our rates
respectively to Edmonton were \$1.06 and Calgary 94
cents. That was the roll back resulting from the
\$20. million subsidy.



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(Frawley)

Q. They got the benefit of that roll back because they are class rates or commodity rates?

MR. CAMPBELL: Yes, they were not subject to border combinations; there was no hold-down.

Q. Just turning for a moment to the question of horizontal percentage increase, your people on the west coast have been complaining consistently and without let up about the horizontal percentage increase?

MR. CAMPBELL: That is right.

Q. But you come forward with no solution at all to the Commission about this evil that has been bearing upon you so heavily all these years?

MR. BLAIR: You said no solution?

MR. FRAWLEY: Yes, no solution whatever.

MR. BLAIR: Have you read the brief?

MR. FRAWLEY: Mr. Blair, I read it, and knowing that you had had something to do with it, I looked for something that would have suggested something. But, there is nothing suggested at all. You cite Turgeon, Turgeon, Turgeon, and then you stop and you say, "The Commission must do something about it."

MR. CAMPBELL: And the Sloan Commission:
we feel that bodies of that stature would have more
bearing with our railway friends.

MR. FRAWLEY: Q. Did Chief Justice Sloan



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(Frawley)

get into horizontal percentage increases as well as
the Crowsnest rates?

MR. CAMPBELL: He did ^{cover} the Crowsnest rates,
on that. Maybe I am confused.

Q. Well, in any event, we will leave it that
way. You would like this Commission to work out
some alternative to horizontal percentage increases?

MR. CAMPBELL: Yes, we have made the
suggestion, if you look in our brief, that the
railways should provide hold-downs. That is very
clearly set out there someplace.

Q. Yes, you speak about reasonable hold-
downs on page 9.

MR. CAMPBELL: That is right.

Q. Well, I really thought you would come
forward with some specific kinds of hold-downs
or some other scale of increases except the special
horizontal increases being applied to all mileages?

MR. CAMPBELL: Well, we have covered it
in another way in our brief: we say we would
settle for comparable rates, and that goes for
hold-downs, because the result is the same, as
prevail in the United States for similar mileages.

Q. That is what I wanted to ask you
about: you say you would settle for what goes
now, in the American increases?

MR. CAMPBELL: Yes.



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2 Q. As a matter of fact, if I understand
3 it, you have that for Winnipeg - your shipments to
4 Winnipeg?

5 MR. CAMPBELL: No, we haven't. The rate
6 to points south of the border is \$1.18 I think.
7 We have to add the local Canadian rate to that.

8 Q. You mean the border combination takes
9 the percentage increase. The local rate in Manitoba
10 takes the horizontal percentage increase; is that
11 what you say?

12 MR. CAMPBELL: From the border to the
13 destination.

14 Q. Yes, into Winnipeg.

15 MR. CAMPBELL: It is subject to any -- we
16 have got comparable mileages shown on page 7 of our
17 Brief.

18 Q. Yes?

19 MR. CAMPBELL: They show that we not only pay
20 higher rates for all three commodities, but it also
21 points up the premium on plywood versus lumber.

22 Q. Well, let me put it this way: What
23 would the rate to Winnipeg be if there was no
24 question at all of being held down in whole or in
25 part by the rates from Tacoma? What would the
26 Winnipeg rate be?

27 MR. CAMPBELL: I would say in the neighbour-
28 hood of \$1.60 some odd cents.
29
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Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

Q. As against -- what is it now?

MR. CAMPBELL: \$1.40.

Q. You do get, then, if Winnipeg was on the North Dakota line or the Minnesota line rather than where it is, then would you get the full benefit of the American freight rate?

MR. CAMPBELL: We would pay \$1.18 under that grouping.

Q. Yes. Now, going to Toronto, again, you pay the rate Tacoma to Toronto, I suppose?

MR. CAMPBELL: That is right.

Q. Why is the rate Tacoma to Toronto less than it would be from Vancouver to Toronto if there were no Tacoma rate to hold it down?

MR. CAMPBELL: I think the Transcontinental American rates were more subject to the water influence due to the fact they have all year service into the east coast and they shave the rate back; water competition enters into that.

Q. Yes. So you do get the full benefit of the Tacoma rates and the circumstances that operate^{to}/hold them down when you are going into Toronto and Montreal?

MR. CAMPBELL: As I pointed out a few moments ago to Mr. Cumming, or one of the other counsel, we didn't always have that happy position. We were paying more than our American competitors,



Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

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2 but that was adjusted on December the 15th, 1951.

3 Q. I was interested in your telling Mr.
4 Cumming that your rates to the Maritimes have held
5 up: Do you get the benefit of a water compelled
6 rate going in the Maritimes from Vancouver?

7 MR. CAMPBELL: No, and I think that is
8 probably due to two factors; that we don't have
9 sufficient tonnage into that area to send straight
10 cargo by water movement, where the reverse is true
11 in the case of Quebec or Montreal during the open
12 season of navigation.

13 Q. The holding up of your market in the
14 Maritimes is not due to any favourable freight rate
15 situation?

16 MR. CAMPBELL: No.

17 Q. It is just the acceptability of your
18 product?

19 MR. CAMPBELL: Yes.

20 Q. And the fact that competitive
21 products have not gained an inroad -- like asphalt,
22 and so on, -- as they have in other parts of
23 Canada?

24 MR. CAMPBELL: Yes. Mr. Andrews covered
25 that.

26 Q. On page 2, paragraph 7, you speak
27 about coast shipments declining to Western Canada
28 in spite of increased coast production and increased
29



Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

prairie consumption. You left one other factor out --
and I am sure not deliberately -- and that is,
increased prairie production too, probably?

MR. CAMPBELL: Well, the question of sales
and distribution, I am not familiar with. That is
Mr. Andrews' field.

Q. All right. Mr. Andrews, I am not
suggesting there was any intention of a deliberate
omission, but another factor would be that prairie
produced shipments would increase during that period?

MR. ANDREWS: I am not just sure, but I
think that the production in Alberta has gone up
slightly, but I think the production in Saskatchewan
and Manitoba has gone down during that period.

Q. Well then, you don't think, then,
it can be accounted for by increased production in
the Provinces of Alberta and Saskatchewan?

MR. ANDREWS: As far as Alberta is concerned --
what we intend to convey there is that the whole
economy was buoyant during that period and there was
an increase in consumption.

Q. There was another factor too: You
are speaking here of rail-borne lumber, I take it,
in that paragraph?

MR. ANDREWS: Yes, rail-borne and truck
borne.

Q. You speak about the number of cars --



Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

"...while in 1949 some 4,944 cars of coast
lumber were shipped to Western Canada, only 1,659
cars were shipped in 1958."

You are certainly talking about rail borne
lumber there?

MR. ANDREWS: Yes.

Q I am instructed there has been a very
appreciable increase in the trucking of lumber from a
point perhaps as far west as Cranbrook into the
Prairie Provinces?

MR. ANDREWS: That is right.

Q. Maybe even further west. That would
certainly enter into or explain that drop very
considerably, wouldn't it?

MR. ANDREWS: Yes, I imagine that is -----

MR. BLAIR: Pardon me, Mr. Chairman. Mr.
Frawley, I think if you look carefully at paragraph
7 you will see that we are merely dealing with
shipments from the British Columbia coast. We are
not suggesting there is any trucking of lumber
from the coast area of British Columbia to the
Prairie Provinces.

MR. FRAWLEY: No, no. Well, perhaps I
should put it differently.

Q. Your coast percentage dropped, but the
percentage of production from the interior mills and
by truck, would, then, account for the drop in the



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(Frawley)

coast shipments -- that would be the explanation?

MR. ANDREWS: To some extent, yes, that is right.

MR. FRAWLEY: Thank you, Mr. Blair. I think that explains the paragraph.

MR. BLAIR: I am glad you are able to read the Brief now.

MR. FRAWLEY: Yes, yes. It is beginning to appear as though that long trip out from Ottawa was worth while.

Q. Mr. Andrews, on page 6 you are talking about what could be done with this financial assistance that the railways expect to obtain and you say that there should be a general reduction of rates, on lumber, plywood and shingles. I don't suppose that you would want any part of that reduction applied to the competitive rates that you enjoy out to the coast shipping points?

MR. ANDREWS: Competitive rates -- I don't get the connection. I don't understand the question.

Q. Well, you say that the payment of the subsidy to the railways should be applied by way of a general reduction of rates on lumber, plywood and shingles, which largely carried the burden of the percentage increases over the past eleven years?

MR. ANDREWS: That is right.

Q. Well, I would not suppose you would



Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

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2 want any traffic that didn't carry the burden of the
3 percentage increases, and only bore a burden of say,
4 79 as against 157 percent -- you would not want that
5 traffic to get any of the benefit of this rate
6 reduction which you think should come from the
7 financial assistance that the railways are going to
8 be given?

9 MR. ANDREWS: We would want to maintain
10 parity with our American competitors as far as that
11 is concerned, but we feel that the whole freight
12 structure in Canada should be adjusted downward
13 as far as our commodities are concerned, in keeping
14 with the recovery that the railways secure of
15 revenues which they obtain through their subsidy.

16 Q. Yes, I can understand what you are
17 saying, Mr. Andrews, but if you would suggest that
18 this financial assistance that the railways expect
19 to obtain be used to give relief to those parts
20 of the freight rate structure which have been carrying
21 the full load of the percentage increases, whether
22 that is an acceptable suggestion or not -- I am
23 just discussing it on that basis, and that is under-
24 standable -- and I am wondering if you mean to go
25 further and say that not only those traffics which
26 took the full 157 percent over the last ten years,
27 but also competitive traffic which in one instance
28 only took 79 percent, whether they should be
29
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Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

similarly treated, is what I want to know.

MR. ANDREWS: Yes, I think they should be similarly treated because of the fact that our freight rates generally speaking, in Canada, even where there have been hold-downs, such as there were, are still higher than the rates which our competitors pay into the same market on the U.S. rates.

Q. Well now, Mr. Andrews, you have rates that you enjoy to Toronto and to Winnipeg which result from the rates from Tacoma and the circumstances which surround those rates?

MR. ANDREWS: That is right, yes.

Q. Now, that can't be taken away from you; that is a legitimate competitive situation which must be reflected in your rates; isn't that so -- because the railways are not giving you any favours; they are bound by the law like everyone else, and they are giving you a competitive rate out of Vancouver geared to the Tacoma rates because there is a real reason, because I suppose you would move your lumber down to Tacoma and move it on the Tacoma rate if they didn't give it to you out of Vancouver? That is the theory behind it, I suppose?

MR. ANDREWS: Well, that, and the fact that the rate from Tacoma, if it were lower to Toronto than the rate from Vancouver, we would not sell our lumber in Toronto. The Tacoma manufacturer would



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(Frawley)

sell it.

Q. In other words, market-competitive or carrier-competitive, you are entitled to all the favourable circumstances which surround the Tacoma rate?

MR. ANDREWS: We also think we should be entitled to rates comparable for similar distances in the United States.

Q. All right. In that regard, have you ever given any thought to the way traffic moves from Cincinnati to Seattle as against Cincinnati to Spokane?

MR. ANDREWS: No.

Q. Well, we won't go into that.

MR. BLAIR: I am afraid we have no comment to offer on the rate on skelp, Mr. Chairman.

MR. FRAWLEY: But at least you recognize it as skelp and not kelp.

Q. Mr. Andrews, I was wondering if you were going to have ^{the} subsidy, as we call it, which the railways expect to get, applied on all of the lumber rates including the one geared to Tacoma, and wouldn't you have a situation that the rate out of Vancouver would be lower than the Tacoma rate and you would have the Tacoma lumber travelling east on the Vancouver rate? Would that be all right?

MR. ANDREWS: Well, what we want is parity.



Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

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2 Q. Mr. Campbell, I have only one question,
3 and I was interested in what you had to say about the
4 four mile switching, and that is something which
5 you have felt was out-moded for quite a long time?

6 MR. CAMPBELL: Yes, that is so.

7 Q. Being the large and important industry
8 that you are, have you not done anything about it
9 all these years?

10 MR. CAMPBELL: We have had to have special
11 switching rates as the occasion arose, but there is
12 still no general rule, which is the thing the
13 industry feels there should be.

14 Q. As a matter of history, the four mile
15 switching limit arises out of an order -- and I
16 haven't got the date -- but a very old general
17 order of the Board of Transport Commissioners?

18 MR. CAMPBELL: Yes.

19 Q. Well now, have you ever considered
20 applying to the Board of Transport Commissioners
21 to have that old order vacated and a new and more
22 up-to-date order substituted in its place?

23 MR. CAMPBELL: Maybe we were living in a
24 fool's paradise. The railways, we understood,
25 were investigating this and it has been the subject
26 of negotiations between our two Transcontinental
27 railways for quite some time; but there hasn't been
28 anything evolve from it yet that we have heard.
29
30



Andrews, Campbell, Armstrong Cr.-ex.
(Frawley)

Q. Well, that is just so the Commission will know the situation, that that can be taken care of by an application to the Board of Transport Commissioners for a revision and extension and investigation of the whole matter before switchings occurs.

MR. CAMPBELL: We thought, with the terms of reference given by the Prime Minister to this Royal Commission, that this was the opportune time to present it to them.

Q. I surely don't disagree with you, Mr. Campbell, and I think it is only right to put it before the Commission, and I am not suggesting that an application to the Board would not automatically be successful, but it does all stem from an old Order of the Transport Board; doesn't it?

MR. CAMPBELL: Yes.

THE CHAIRMAN: We will take a five minute break.

---A short recess.

THE CHAIRMAN: Order, please, Gentlemen.
All right, Mr. Mauro.

CROSS-EXAMINATION BY MR. MAURO:

Q. Mr. Andrews, I notice that the rate on sawn lumber, Vancouver to Winnipeg, has gone up 150 percent since 1948; is that correct?

MR. ANDREWS: Well, Mr. Mauro, I think I



Andrews, Campbell, Armstrong Cr.-ex.
(Mauro)

could answer that. The rate has gone up from 56½ cents a hundred pounds to \$1.40, so whatever percentage that is --- I haven't just got it in front of me.

MR. BLAIR: It is stated in the Brief at Paragraph 6, page 2, to be 150 percent.

MR. MAURO: Q. Well, the rate -- the rate has gone up 150 percent to Winnipeg during the period when the permissive levels have increased 157 percent. Is that correct, Mr. Campbell?

MR. CAMPBELL: Yes, that is right.

Q. So that, as far as the rate to Winnipeg, the lumber rates have taken all but 7 percent of the permissive levels?

MR. CAMPBELL: Yes.

Q. And in the case of Toronto, according to our calculations, it has gone up 79 percent in the same period?

MR. CAMPBELL: Yes.

Q. So that the burden on the shipments to Toronto has been considerably less than the burden on the Winnipeg shipper?

MR. CAMPBELL: Percentage-wise, yes. That, as I explained previously, Mr. Mauro, started out in the first place with the lowering of the lumber rate to bring it in line with the rates from Oregon - Washington.



Andrews, Campbell, Armstrong Cr.-ex.
(Mauro)

Q. If you turn to Exhibit 106, in 1948 the rate, Vancouver to Winnipeg, was \$14.69; in 1959, \$36.40, for an increase of \$22.00. The Vancouver to Toronto, in 1948, was \$23.01; in 1959, \$41.08, or an increase of \$18.00. So that, under this horizontal record of percentage increases, Winnipeg takes it both coming and going. In the rate relationships at least Toronto has been distorted in the easterly flow of lumber goods also.

MR. CAMPBELL: That is right.

Q. Now, on page 3 of the principal submission, Mr. Andrews, I notice that there is this drop on carloads of sawn lumber and shingles to both Western and Eastern Canadian destinations. I wondered if this was a shift in product preference as opposed to the results of the freight rate structure?

MR. ANDREWS: Not to any great extent, Mr. Mauro. The bulk lumber shipments to Winnipeg or to Western Canada, the preference is a matter of price, and where the freight rate affects the landed costs, it simply means that we do not sell in that market.

I think our product is just as acceptable now as it was when it was going there in volume.

Q. I notice while sawn lumber dropped from six thousand cars to thirty-seven hundred cars



1 Andrews, Campbell, Armstrong Cr.-ex.
2 (Mauro)

3 plywood increased from thirty-one hundred to eighty-
4 three hundred.

5 MR. ANDREWS: That's right.

6 Q. So that freight rates have not affected
7 the plywood consumption?

8 MR. ANDREWS: Not to the same extent, that's
9 right.

10 Q. Wouldn't part of the sawn lumber
11 market be lost to the plywood market?

12 MR. ANDREWS: Could be, yes.

13 Q. So that a considerable amount of these
14 losses are made up within the industry, within the
15 lumber industry itself?

16 MR. ANDREWS: To some extent, Mr. Mauro,
17 but plywood cannot replace lumber for all usages.

18 Q. I am saying to the extent that
19 plywood can replace it there has been a consistent
20 increase, except for the year 1959; but from 1950
21 on, an increase in the consumption of plywood under
22 the same freight rate structure?

23 MR. ANDREWS: That's right. That's right.

24 Q. Now, on page 6, paragraph 15,
25 "If and when the Crowsnest pass grain
26 "rates are compensated for to the
27 "Canadian Railways by way of subsidy or
28 "other means, it is recommended that
29
30



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"there should be a general reduction in
"the rates on lumber, plywood and shingles
"which largely carried the burden of
"percentage increases over the past eleven
"years."

Now, we agreed that the plywood, lumber
and shingles industry carried varying amounts of
these increases. The Winnipeg shipper took a
fair slap with 150 percent; the Toronto shipper
got a fairly decent rate over the past ten years;
he got a 79 percent increase in his rates. So
that the industry has not really carried the whole
of this burden?

MR. BLAIR: I am wondering if Mr. Mauro is
asking a question or making a statement.

MR. MAURO: Q. Well, this is a question,
that the industry has not carried a particularly
great burden because the prices -- your sale is f.o.b.
the mill, I take it?

MR. ANDREWS: That's right.

Q. And the rail rates vary depending on
what the market will bear, apparently, because the
Winnipeg shipper has to pay 150 percent increase in
freight rates in the past ten years, while the
Toronto shipper has paid an increased freight bill
of 79 percent?

MR. ANDREWS: Yes. Well, as far as lumber



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2 is concerned, Mr. Mauro, we have not been shipping,
3 as a result of these freight rate increases, so
4 the
even/79 percent increase has effectively curtailed
5 our shipments.

6 Q. I was interested in the words "which
7 largely carried the burden of percentage increases",
8 and I interpreted it, and perhaps I misinterpreted
9 them, as meaning that the lumber industry has
10 largely carried the burden of percentage increases
11 over the past eleven years?

12 Now, are you suggesting that it is the lumber
13 industry in Canada which has largely carried the
14 burden of horizontal percentage increases in the
15 past eleven years?

16 MR. ANDREWS: We are probably more affected
17 than any other commodity, in that we have the longest
18 hauls.

19 Q. Well, lumber, according to our
20 calculation, under the way bill analysis, represents
21 898 cars of 19,822, or approximately 5 percent of
22 the traffic, Mr. Andrews, and of that, apparently,
23 close to two-thirds of the lumber traffic is
24 moving into the Eastern Canadian markets; so that
25 the lumber traffic represents five percent, and two-
26 thirds of that five percent has only taken half
27 of the percentage increases since 1948. And I
28 say it is on those figures that you submit that it
29
30



Andrews, Campbell, Armstrong Cr.-ex.
(Mauro)

is the lumber industry in Canada which has largely carried the burden of percentage increases over the past eleven years; is that correct?

MR. ANDREWS: Perhaps that is somewhat of an exaggeration, but we certainly feel that our rates have carried a good big portion of that burden.

Q. And you told my learned friend, Mr. Frawley, that if the railways receive a subsidy, that this subsidy should be used to roll back the present rates on lumber ----

MR. ANDREWS: And other commodities.

Q. And other commodities, but we will deal with the lumber one here -- including the rolling back the rate to Toronto, which has only taken 79 percent of the increase?

MR. ANDREWS: Well, I think whatever roll back there might be will be apportioned as to various hauls equitably, so that they benefit to that extent, in that way.

Q. So that, on an equitable basis, the lumber industry, and the Winnipeg rate which has gone up 150 percent be reduced to the 79 percent before you touch the Toronto rate?

MR. ANDREWS: That's right.

Q. And, you made some mention, Mr. Andrews, that what the industry is really requesting is



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(Mauro)

parity with the American rates; is that right?

MR. ANDREWS: That's right.

Q. And would the industry also support a proposition that if the American rates go up, that the Canadian rates should go up, even without the railways having to request or show cause for the increase?

MR. ANDREWS: Well, I don't know about the mechanics of it, but that is what happens, anyway. If the American rates go up to Toronto, our rates automatically go up.

Q. How about the Prairie rates?

MR. ANDREWS: The same would apply.

Q. Well, you can't get them much higher in Winnipeg to that Prairie point. You are up 150 percent now.

MR. ANDREWS: Well, I think if there was an increase, Seattle to Nicchi, that the hold-down would suffer to that extent.

Q. So that you would be satisfied with a system, a rate structure which was tied in completely with the American rate structure, and you would take increases in American rates without the railways having to?

MR. ANDREWS: We have gone on record before the Board of Transport Commissioners ^{that} that is what we would agree to.



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(Mauro)

Q. I'm sorry, Mr. Andrews?

MR. ANDREWS: We have gone on record before the Board of Transport Commissioners that that is what we will agree to.

Q. On both competitive and non-competitive rates?

MR. ANDREWS: That's right.

Q. Now, Mr. Andrews, I take it that the lumber industry of British Columbia is particularly concerned with this Commission coming up with recommendations which tend to re-distribute the freight rate burden in the Dominion of Canada; is that correct?

MR. ANDREWS: That's right.

Q. And you have, on behalf of the Association, pointed out with quotations what you allege is the burden of the Crowsnest Pass rates?

MR. ANDREWS: That's right.

Q. And the reason that you have done this is that you feel that inequity, the burden resulting from the Crow rates, has to be borne by other shippers, including the Lumber Association?

MR. ANDREWS: That's right.

Q. And I would expect that the Lumber Associations would apply the same equitable principles to any portion of the transportation structure of the railways that result in a burden on



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(Mauro)

the freight shipper?

MR. ANDREWS: That's right.

Q. And if there are losses on branch line operations which can be proven, and losses on passenger services which can be proven, and it is contended that these are in the National interests, then those burdens should also be lifted from the back of the freight shipper?

MR. ANDREWS: I would think so.

Q. And the Lumber Association, the Lumber Industry of British Columbia would support any scheme that would tend, as far as future actions by the Board of Transport Commissioners in regard to rate applications, you would support any scheme that made a more equitable distribution between what has been referred to as terminal costs and line haul costs?

MR. ANDREWS: I would think so, yes.

Q. Yes. I think it is generally accepted that the difficulty that you face, and it is the same difficulty as shippers in Manitoba face, is the fact that the long haul shipper under horizontal percentage increases takes a tremendous blow compared with the short haul shipper?

MR. ANDREWS: Yes.

Q. And that the rates affected by horizontal percentage increases do not properly affect the



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(Mauro)

terminal costs and line haul costs?

MR. ANDREWS: Yes.

Q. So you would support a proposal that would tend to, as I say, re-adjust the short haul and the long haul freight rates?

MR. ANDREWS: That's right.

MR. MAURO: Thank you, Mr. Andrews.

THE CHAIRMAN: Mr. McDonald?

-CROSS-EXAMINATION BY MR. McDONALD:

Thank you, Mr. Chairman.

Mr. Andrews, I am instructed that during the past two years there has been considerable volume of lumber shipped by water from the British Columbia coast; is that correct; to eastern points?

MR. ANDREWS: I cannot tell you, Mr. McDonald, just how much. Off hand, I wouldn't consider that it is a very big factor. I think Mr. Campbell might be able to give some information on that.

Q. Mr. Campbell?

MR. CAMPBELL: Are you speaking of the eastern American market?

MR. McDONALD: Either the eastern American market or the eastern Canadian market.

MR. CAMPBELL: Well, I think Mr. Andrews can answer that.

MR. ANDREWS: There has been very substantial



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volumes to the east coast of the United States.

The Atlantic coast market, as it is so-called.

MR. McDONALD: Q. From the coast to
British Columbia?

MR. ANDREWS: From the coast to British
Columbia, yes.

Q. Has that been increasing, Mr. Andrews?

MR. ANDREWS: Yes, it has been increasing
in the last two years.

Q. Yes, and have you got any information
on the extent of the volume?

MR. ANDREWS: Yes, we can give you the
volume of water-borne shipments. The shipments to
the Atlantic coast of the United States from the
British Columbia coast. How far back do you want
to go?

Q. Just the last couple of years.

MR. ANDREWS: In 1956, it was 282 million
feet; in 1957, it was 275 million feet; in 1958,
-- and these are preliminary figures -- it was
600 million.

Q. Well, a substantial increase in 1958?

MR. ANDREWS: In 1958, yes.

MR. BLAIR: If I might interrupt my friend
for a minute, -- we have filed, but it hasn't been
marked as an Exhibit, the 1958 Annual Report of the
British Columbia Lumber Manufacturers Association,



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and the figures which Mr. Andrews are referring to
are found in table 3 on page 16.

THE CHAIRMAN: Do you want to file the
Exhibit then?

MR. BLAIR: Perhaps it would be appropriate
to file it now.

MR. FRAWLEY: I suppose you would have
some copies, too?

MR. BLAIR: Certainly.

THE CHAIRMAN: Exhibit 115.

---EXHIBIT NO. 115: Annual Report of the
British Columbia Lumber
Manufacturers Association,
for 1958.

THE CHAIRMAN: You have quoted from page 16
of the report?

MR. McDONALD: Well, then, Mr. Andrews,
referring to your Brief, paragraph 7 again, were
you pointed out the drop in the shipments of lumber
to Western Canada, despite the increased Prairie
consumption and accelerated housing development.
Where did they get their supplies of lumber which
they used?

MR. ANDREWS: The supplies of lumber ^{come} / from
Northern Alberta, Northern Saskatchewan and
Northern Manitoba, and a lot of it by truck from the



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southern interior of British Columbia and from the
interior of British Columbia.

Q. And then to Eastern Canada in paragraph
8, is it true that the freight rates to Eastern
Canada are tied in with the American rates?

MR. ANDREWS: That is right.

Q. Mr. Campbell could probably answer
this; in the latter part of 1954 and early in 1955,
I understand you had a discussion on rates with the
railways, and there was a discussion and you finally
arranged an agreement that was mutually satisfactory?

MR. CAMPBELL: Yes.

Q. And these rates were adjusted effective
February 1, 1955?

MR. CAMPBELL: Yes, that is right, after
several hearings before the Board in Ottawa, Calgary
and in Vancouver.

Q. And the Board didn't have to make
a ruling, you made an agreement?

MR. CAMPBELL: We worked it out between
ourselves and had the Board's blessing; they
sanctioned it finally, and if you recall it was
supposed to go into effect the 1st of January, 1955,
and Chief Justice Kearney, who was head of the Board
at that time postponed it for one month to give us
a chance to get together with the
railways and to set a scale for the Prairies,



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making Winnipeg - shading it back on the lumber -
and then there was 12½ percent increase on the
on shingles
lumber rate and 20 percent on plywood, which
resulted in a reduction in some kind of a pattern
because we were in the situation of a hodge-podge
and at that time we were paying more to points
closer to Vancouver than we were to Winnipeg, and
as a result it was one of those situations that
prevailed like today with the 5 percent increase,
they are beginning to get out of line again.

Q. The point I was making is that as of
February 1, 1955, there was no agreement between
yourselves and the railways?

MR. CAMPBELL: That is right.

Q. And what you are complaining about
today is the increases that have taken place since
that date?

MR. CAMPBELL: Yes, which have distorted the
pattern.

Q. And part of that deal which you
made at that time was the different rates on lumber,
shingles and plywood.

MR. CAMPBELL: Yes.

Q. As you explain it, the lumber is 100
percent, shingles 112 percent and plywood 120?

MR. CAMPBELL: 112½ and 120, yes.

Q. And also I understand you had this



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other discussion with the railways again,
and the matter is actively under consideration
at the present time?

MR. BLAIR: Which matter?

MR. McDONALD: Q. The question of adjusting
these rates.

MR. CAMPBELL: We had a meeting in Montreal,
so far as the Plywood Association is concerned, on
December 5, 1957, at which time the two vice presidents
of your railroad and the Canadian Pacific and
their senior traffic officers met with representatives
from the plywood industry and pointed out to them
the high premium and the high rates that we were
paying on the plywood, and asked for the lumber
basis on the plywood at that time, but I am
sorry to say we were not successful in getting it.

Q. Did you have any discussions with
them since that time about the matters complained
of in the brief?

MR. CAMPBELL: We have discussed it with
them and pointed out that we were getting to the spot
where - Mr. Armstrong can speak on that, and he
put in an exhibit yesterday showing that the
industry is having these high costs.

Q. My instructions are that this matter
is under active consideration by the two railways
at the present time and the industry?



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2 (McDonald)

3 MR. CAMPBELL: We are very glad to hear that,
4 but they have kept it quiet if they are considering
5 it.

6 Q. I understand they are dealing with the
7 whole lumber scale and not just affecting your
8 Association, but the whole lumber scale.

9 MR. CAMPBELL: I am glad to hear that.

10 Q. Then, Mr. Andrews, on page 9 of your
11 Brief, the recommendations, you recommend that the
12 railways be given more freedom to abandon non-
13 profitable branch lines and services and to close
14 stations serving such branch lines.

15 Now, we are heartily in accord with that
16 recommendation to go before this Commission and we
17 are very pleased to know that you have taken an
18 interest in it, and as far as these rates are
19 concerned, I think if you take it up with the
20 Traffic Department that you will find they have it
21 actively under consideration at the present time.

22 MR. CAMPBELL: I am glad to hear that.

23 Q. There was one other point on this
24 switching and extending the switching limit; have
25 you got any ideas on that as to how far it should
26 be extended or what rates should be charged?

27 MR. CAMPBELL: No. As I mentioned to one
28 of the other counsel, Mr. McDonald, we feel there
29 should be substantial enlargements. We are not
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(McDonald)

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2 qualified to say whether they should make it six
3 miles or ten miles or whether it should be on a
4 graduating scale; also the mechanics of it and the
5 progression according to mileages, whatever they
6 may decide upon, I feel it should be a subject
7 of discussion by the railways and that they should
8 sit down with the industry and it is not only the
9 lumber industry that is affected in that, but I
10 think that you will find reception from
11 shippers and consignees.

12 Q. It is really a matter for the railways
13 and the Board of Transport Commissioners, because
14 it affects the whole of Canada.

15 MR. CAMPBELL: That is right.

16 Q. And it is a question of revising the
17 old Order of the Board of Transport.

18 MR. CAMPBELL: That is the way we feel, sir.

19
20 CROSS-EXAMINATION BY MR. SINCLAIR:

21 Q Mr. Andrews, in connection with this
22 matter of payment to bring the remuneration of the
23 railways from the handling of grain to a just and
24 reasonable basis and the use of the monies thereby
25 gathered, is it the position of your Association that the
26 money being received, that the railways' net position
27 at that time should be looked at and its relationship
28 to rates as a whole; that is basic to your proposition?
29
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(Sinclair)

MR. ANDREWS: Yes.

Q. And that is what you mean when you say it should be looked at is to see how it can affect the rate structure?

MR. ANDREWS: Yes.

Q. Now, Mr. Andrews, would you agree that subsidies basically are not to be encouraged, that they should be used, but only as a last resort where there is no other method and the Federal subsidies should only be paid where the interest of all Canadians is involved?

MR. ANDREWS: That is right.

Q. I take it, Mr. Andrews, that your position is that if there are to be subsidies involving local interests rather than National interest, that these subsidies should be the responsibility of local authorities rather than National authorities?

MR. ANDREWS: I would say that is generally so.

MR. BLAIR: I wonder if Mr. Sinclair might be more specific in this reference, because we haven't dealt with local subsidies in our Brief and I am not sure what he is referring to.

THE CHAIRMAN: Just what does that mean?

MR. SINCLAIR: Mr. Andrews, for instance if there was a passenger service serving local



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2 communities, and notwithstanding that it was at a
3 loss, that the railways wanted to get rid of that ser-
4 vice because it wasn't good, but for some reason
5 somebody thought that for local pride, we will say,
6 that a local stand-by service with that
7 passenger service should be continued, and the only
8 way it could be continued would be by virtue of
9 some payment, that that would be in your opinion
10 something for the local authorities and not a matter
11 for the federal authorities?

12 MR. ANDREWS: I don't know; it seems to me
13 that we might get ourselves into quite deep water
14 if, for instance, some community which was dependant
15 on something for these expenses and, say, a member
16 of this Association - I don't think we could support
17 a proposition that either the service be done away
18 with or that the local community would have to
19 put up a subsidy to keep it going.

20 Q. Is it the suggestion of your Association
21 that passenger services serving local communities
22 should be subsidized by the Federal Government?

23 MR. ANDREWS: I don't think that has been
24 discussed or considered, Mr. Sinclair.

25 Q. You would agree, would you not, Major
26 Andrews, that the matter of hold-downs, for instance,
27 that you suggest as a solution to what you consider
28 to be a problem, that is, the horizontal percentage
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(Sinclair)

increases, that if that was applied as it is in the United States - for instance, I think it is from Mississippi to Chicago, that forms the basis for the whole thing?

MR. ANDREWS: Yes.

Q. Then you would take it, would you, that in Canada that you would be proposing to this Board that the hold-downs would be based on a maximum, we will say, from some point in Saskatchewan or Alberta to Winnipeg, that would be the hold-down; would that be your proposal?

MR. ANDREWS: The hold-down, as I understand it, is applied not with any special reference to one region of the country, it is a hold-down that applies to everybody from all sources of supply to all destinations.

Q. And, Mr. Andrews, the method in the United States is to take a station in Mississippi, I think it is.

MR. ANDREWS: That is right.

Q. From Mississippi to Chicago, and use that as the basis of the hold-down, so that people shipping to Harrisburgh, Mississippi take the full effect of the increase and everybody else that is further away doesn't take any more; is that the way it works?

MR. ANDREWS: I think that is not exactly



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the mechanics of it.

Q. You don't think that is the mechanics?

MR. ANDREWS: No. The Interstate Commerce Commission approves, say, a 20 percent increase, and they also approve the hold-down.

Q. Which is calculated on a point in Mississippi to Chicago?

MR. ANDREWS: No, I don't think that is the basis, is it?

MR. CAMPBELL: Yes, I think so.

MR. ANDREWS: It could be.

MR. SINCLAIR: Q. Now then, we will apply that to Canada, so that we now take a place in - you pick it; say Alberta to Winnipeg, and it takes the full increase, but anything further than that would take somewhat less of an increase, would that be your proposition?

MR. ANDREWS: If that is the mechanics of it, yes.

Q. And do you think the lumber people in Northern Alberta would be satisfied with that?

Do you think they would be? You know lumber people pretty well; do you think they would be satisfied, those Northern Alberta lumber people?

MR. ANDREWS: I really wouldn't know until it is put up to them and to say whether it would be satisfactory.



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(Sinclair)

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2 Q. Knowing them as you do, would you
3 expect them to be happy in a situation like that?

4 MR. BLAIR: Mr. Chairman, ^{not so} many years ago
5 an overall agreement was made between the lumber
6 interests in this Province, to which the Alberta
7 interests were parties, providing for differentials,
8 but I don't think it is quite fair to endeavour to
9 continue on this line of cross-examination; they
10 have agreed in the past and there is no reason
11 to believe that they would disagree in the future.

12 THE CHAIRMAN: I think the question is
13 all right.

14 MR. SINCLAIR: Q. Major Andrews, the
15 question was; knowing the lumber people as you do,
16 in respect that the Northern Alberta lumber people
17 would be prepared to continue with the full amount
18 of the increase and everyone who shipped a longer
19 distance would not take the greater increase?

20 MR. ANDREWS: I can't answer that question,
21 and I don't think that anybody could until it was
22 put up.

23 Q. Very well, if that is your answer.
24 Would the lumber industry expect that any hold-down
25 on lumber would be extended to competing Provinces?
26 For instance, corrugated iron sheathing, aluminum
27 doors, anything that competes with the lumber
28 products; could the same thing be applied?
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Andrews, Campbell, Armstrong Cr-ex.
(Sinclair)

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2 MR. ANDREWS: I would think that as far as
3 we are concerned if the commodities which would be
4 covered by hold-downs would be the same in Canada
5 as they are in the United States, and that is
6 coal and certain basic bulk commodities and raw
7 products.

8 Q. Let me bring your mind to this question;
9 would it be the position of the British Columbia
10 Coast Lumber Association that hold-downs applied
11 to lumber should be extended to the competing
12 products of lumber?

13 MR. ANDREWS: I think the answer to that
14 is that we would expect that the hold-downs would
15 be applied to approximately the same commodities
16 in Canada as they are in the United States.

17 Q. Well, of course,----

18 MR. ANDREWS: Not to manufactured goods,
19 but to raw materials.

20 Q. And therefore your answer to my
21 question would be that it would not be extended to
22 the competing products?

23 MR. ANDREWS: It is now in effect and
24 extended in Canada to such commodities as coal.

25 Q. I am asking you one specific question,
26 Major Andrews; is it the position of the British
27 Columbia Coast Lumber Association that hold-downs
28 would not or would be extended to competing products
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Andrews, Campbell, Armstrong Cr.-ex.
(Sinclair)

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2 of lumber?

3 MR. ANDREWS: Well, put it this way; there
4 are certain commodities which are recognized to be
5 entitled to hold-downs in the United States, and we
6 would figure or would expect that these commodities
7 would be covered in any comparable situation in
8 Canada.

9 Q. And no more?

10 MR. ANDREWS: And no more.

11 Q. Well then, let me ask you that with
12 respect to shingles, specifically; would the
13 British Columbia Shingle Association, the Red
14 Cedar Shingle Association, would they object to
15 any hold-down being extended to the following
16 commodities; asbestos shingles, prepared roofing,
17 slate for roofing, tar and sand for roofing or
18 any other product used in roofing or which could
19 be substituted for shingles?

20 MR. ANDREWS: In the first place, Mr.
21 Sinclair, I don't think that the railways would
22 be concerned very much whether it did or did not,
23 because mostly those commodities are heavy, very
24 heavy for shipment and they are manufactured
25 locally and the railways don't get any freight out
26 of them anyway.

27 Q. Whatever might happen, Mr. Andrews,
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Andrews, Campbell, Armstrong. Cr.-ex.
(Sinclair)

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2 I am trying to find out whether your recommendation
3 to this Commission in regard to hold-downs is that
4 they be applied only to your commodity or whether
5 they be applied to your commodity and other
6 commodities in competition or in substitution of
7 your commodity?

8 MR. ANDREWS: Well, I think that we would
9 not be concerned very much whether they were or
10 they were not.

11 Q. Would you support them being extended
12 to your competitors; is this your recommendation?

13 MR. ANDREWS: I would have to consult with
14 my principals on that; we haven't given it any
15 thought.

16 Q. Now, let us assume for the sake
17 of this discussion, Mr. Andrews, that there was a
18 hold-down and it was applied to a broad range of
19 commodities, lumber and all those in competition
20 with lumber, and as a result railway revenues
21 from the increases applied for wouldn't be met
22 unless you increased the percentages or increased
23 the maximum, would the British Columbia Lumber
24 Association think that that was a proper way to
25 approach the problem of securing revenues?

26 MR. ANDREWS: Well, the effect of hold-
27 downs in the United States was to give the railways
28 more revenue, and that would be the effect in Canada,
29
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Andrews, Campbell, Armstrong Cr.-ex.
(Sinclair)

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2 we think. So that, it is simply a question of
3 without the hold-downs the railways don't get the
4 haul and don't get the revenue, and with them they
5 do.

6 Q. The reason I am interested in this,
7 in answer to one of my friend's in dealing with the
8 Turgeon Recommendations regarding exceptions
9 to horizontal increases, and specifically number 4
10 which is set out in your paragraph eleven, on page 4,
11 you said you did not know the railways had done
12 anything about them. I suggest to you that the
13 railways did attempt to follow those out and all that
14 resulted was chaos.

15 MR. FRAWLEY: He said potatoes.

16 MR. SINCLAIR: Sand and gravel - livestock;
17 a very interesting one about livestock.

18 Q. Do you remember that one, in which
19 Alberta complained bitterly about a maxima or a
20 hold-down being applied to livestock? These
21 matters are very complex, are they not, and involve
22 a lot of interplay and competing industries and
23 competing forces, - - - -

24 MR. ANDREWS: I notice - - - -

25 Q. Would you agree with that?

26 MR. BLAIR: He is answering your other
27 question.

28 MR. SINCLAIR: Which other question?
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MR. BLAIR: You interrupted him.

MR. SINCLAIR: Q. I am sorry?

MR. ANDREWS: I think, if you repeat the question. . .

Q. I am asking you this, sir: That this question of interplay between raw producers and finished manufacturers, competing products, competing regions, are a very complex matter and the use of hold-downs can result in very complex problems and controversies between various segments, sectors and industries?

MR. ANDREWS: All I can say is that it seems to work very well on the other side of the line.

Q. That is your answer to that?

MR. ANDREWS: Yes, it seems to work very well. It has resulted in certain areas of production being kept profitable, and it has been generally favourable to the shippers, the carriers, and it has been approved by the Inter-State Commerce Commission year after year, and each increase, as it comes up -- these things are gone into very carefully, and the hold-down system has worked very well.

Q. In your opinion?

MR. ANDREWS: Yes.

Q. There may be others who have a different opinion; you would agree with that?

MR. ANDREWS: Could be, yes.



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Q. And who have expressed it?

MR. ANDREWS: That is right.

Q. You said that the industry would like to have comparable rate levels for lumber as in the United States: Do you think, for instance, that that is because you are a basic commodity moving long distances and you are particularly interested in exports as well as domestic?

MR. ANDREWS: As a matter of fact, we have parity on a very big percentage of our output - all of it, in fact, ^{that} goes into the United States; we have now parity.

Q. But your suggestion was that lumber rates be put on the same basis in Canada as the United States mile for mile?

MR. ANDREWS: That is right.

Q. Do you think that should also apply to other basic commodities moving in Canada?

MR. ANDREWS: I am not familiar - - -

Q. For instance, grain: Do you think grain rates in Canada should be on the same basis mile for mile as in the United States?

MR. ANDREWS: We have suggested that they are put on the same mileage basis.

Q. You are suggesting that grain rates be put on the same mile for mile basis in Canada as in the United States?



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MR. ANDREWS: On the same basis.

Q. And that is a condition of having
lumber on the same basis too?

MR. ANDREWS: I think that the answer must
be that at this stage we could not begin to go
into such detail as you are suggesting.

Q. But as a matter of principle - - -
never mind the detail: What would be your
answer, as a matter of principle?

MR. BLAIR: Possibly we have lost sight of
your question.

MR. SINCLAIR: Oh, I don't think so. If
Mr. Andrews has lost sight of it, he will say so.
He is an old and experienced witness.

MR. BLAIR: Well, regardless of Mr.
Andrews, counsel has lost sight of the question.

MR. SINCLAIR: We are not interested in
keeping up with counsel. We are interested in
letting the witness answer the question.

MR. BLAIR: I think it would be just as
well if Mr. Sinclair would rephrase the question.

THE CHAIRMAN: Well, ask the question again,
Mr. Sinclair.

MR. SINCLAIR: Q. As a matter of principle,
my question was, in view of the fact that you felt
that basic commodities such as lumber should have
the same basis mile for mile as in the United States,



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as a matter of principle would you think that should also apply to the movement of grain in Western Canada, that that be on the same mile for mile rate basis as in the United States?

MR. ANDREWS: Well, I think I am not competent to give you an opinion on that at this notice.

Q. The revenues that a railway receives for the movement of large segments of its traffic is a major factor, would you agree, in the rates that they have to receive for the movement of other segments of traffic?

MR. ANDREWS: That is so.

Q. One of my friends - - and I forget which one - - suggested to you that whether the burden arose from export grain rates or the burden arose from passenger or the burden arose from competitive factors, the suggestion was that they were all the same. Do you remember that question?

MR. ANDREWS: I remember that question.

Q. And I think your answer was "Yes"?

MR. ANDREWS: Yes.

Q. Are you suggesting that there is a similarity between a fixed statutory rate, for which the railways cannot take any action, and a passenger service where they have the right to control it? Are you suggesting to this Commission



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(Sinclair)

Cr.-ex.

1
2 there is no difference?

3 MR. MAURO: Well now, my learned friend is
4 referring to my question.

5 MR. SINCLAIR: No, I was not.

6 MR. MAURO: Well, you said "one of my
7 learned friends", and I didn't hear anyone else.

8 MR. SINCLAIR: You should listen. It was
9 Mr. Doherty.

10 MR. MAURO: Well, Mr. Chairman, just so
11 that he is not using two of his learned friends,
12 my question was to those services required in the
13 National interests and burdens resulting therefrom.

14 MR. SINCLAIR: We dealt with yours a few
15 minutes ago.

16 MR. MAURO: I thought you could not remember
17 whose question it was.

18 MR. SINCLAIR: Oh, I can remember.

19 MR. MAURO: You said you did not know
20 which one it was, and I was trying to assist your
21 memory.

22 MR. SINCLAIR: Q. Mr. Andrews, are you
23 suggesting that a service that is required of the
24 railways, at a fixed rate is the same as a
25 passenger service which management can control?

26 MR. FRAWLEY: Mr. Chairman, I think it is
27 only fair to put the whole record in: Mr. Crump
28 told me in Ottawa that the efforts being made by
29
30



1
2 Canadian Pacific to try to get more revenue from its
3 passenger traffic was not working out very well.

4 MR. SINCLAIR: I think we may as well try
5 to get this witness answer the questions and let
6 Mr. Frawley argue later.

7 THE CHAIRMAN: Well, repeat the question,
8 Mr. Sinclair.

9 MR. SINCLAIR: My confrer says that this is
10 the fourth time, and I do appreciate your patience.

11 Q. For the fourth time, are you
12 suggesting that where the railways are required
13 to provide a service at a fixed rate, as they are
14 with respect to export grain, that that is the same
15 as the provision of a passenger train service which
16 is under managerial control?

17 MR. ANDREWS: I would not be competent to
18 answer that question.

19 MR. SINCLAIR: This is like pleading some
20 kind of an amendment I have heard of before.

21 MR. BLAIR: Well now, in all fairness to
22 Mr. Andrews - - -

23 THE CHAIRMAN: No; the witness does not
24 claim to be an expert.

25 MR. BLAIR: The question which Mr. Mauro
26 asked was simply, if arrangements were made to
27 provide for subsidies for other types of losing
28 traffic, apart from the Crowsnest, would the same
29
30



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(Sinclair)

principle apply, and Mr. Andrews' view was that he would apply it to the Crowsnest traffic, but it is not part of our submission to comment on passenger and other possible losing traffic of the railways. That is something other parties have dealt with and with which we are not dealing.

MR. SINCLAIR: I don't know why my learned friends always seem to think they have to be so careful when I ask some innocent question.

THE CHAIRMAN: They doubt your innocence, I think.

MR. SINCLAIR: However, I take it as a compliment.

Q. Major Andrews - - and I put this position to you and your colleagues - - generally speaking it has been the experience of the lumber industry on the coast that their problems which they have - - and they change, depending on various circumstances; they are not all railway problems -- but so far as the railways can, they do sit down with your industry and have detailed and mutual discussions to try to arrive at solutions; that is correct?

MR. ANDREWS: That is correct. As a matter of principle, and before we appear before the Board of Transport Commissioners or any other Hearings, we sit down with the railways and we table our problems and we discuss them and, largely, we get nowhere;



1
2 but, sometimes we do.

3 Q. You are not suggesting, are you, that
4 you would rather have somebody other than the railways
5 deal with your problems?

6 MR. ANDREWS: Not if we can get satisfaction
7 from the railways first.

8 MR. SINCLAIR: Thank you.

9
10 BY MR. GOBEIL:

11 Q. Mr. Armstrong, you have some figures
12 in Exhibit 113 and 114, the dollar value for
13 export and it would come much over \$100. - -
14 as a matter of fact in the year 1956 it is \$150.
15 per thousand feet.

16 MR. ARMSTRONG: I am sorry, I didn't get that,
17 Mr. Gobeil.

18 Q. On Exhibit 114, in the dollar value
19 of the plywood, taking 1956, for instance, your dollar
20 value per thousand feet would come to 150.?

21 MR. ARMSTRONG: I haven't worked it out.

22 Q. It is all over 100, and I was wondering
23 why the big difference between the export value
24 and the preceeding table, Exhibit 113 - - - where
25 it swings from 54 to a maximum of 70?

26 MR. ARMSTRONG: I can't supply an answer
27 to that question because I don't know. I merely
28 quoted D.B.S. figures, and I have no idea how they
29 are arrived at, except I understand the Dominion
30



Andrews, Campbell, Armstrong Cr.-ex.
(Gobeil)

1
2 Bureau of Statistics asks each manufacturer to
3 provide them with a monthly statement.

4 Q. I don't understand them either, because
5 they are double for the export.

6 MR. ARMSTRONG: I can't account for that.

7 Q. Would you think, Mr. Armstrong, that
8 the plywood is a more valuable product than sawn
9 lumber?

10 MR. ARMSTRONG: It depends on the basis
11 that you are using to consider it. You take,
12 for example, sheathing - wall sheathing for a house:
13 Although a thinner thickness of plywood is used
14 than would be the case if lumber were used, the
15 two products will compete, and the cost to the
16 consumer of the material is very similar. One
17 inch nominal lumber would be used in board form
18 for sheathing the wall of a house, for example,
19 and 5/16 of an inch plywood would be used for the
20 same purpose, and it performs a similar function
21 as far as the structure is concerned, and I believe
22 in general -- and it varies, of course, from one
23 part of the country to another -- but in general
24 I believe the two products are competitive.

25 Q. One is certainly more refined than
26 the other?

27 MR. ARMSTRONG: Yes.

28 Q. I am asking that because in recommendat-
29
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2 ion number one when you recommend that the grouping
3 of plywood and shingle take the same grade as
4 sawn lumber, if the value of the product is higher
5 I would understand why the railways are doing it,
6 but I would not understand why, in the United
7 States, they put it on the same scale.

8 MR. ARMSTRONG: Pardon me?

9 Q. I wonder why in the United States
10 they put it on the same scale - all those three:
11 Plywood, shingles and sawn lumber.

12 MR. ARMSTRONG: I am not an authority on
13 that, but my understanding is that it was done in
14 order to encourage the traffic, which it apparently
15 succeeded in doing.

16 Q. Mr. Andrews, you mentioned that
17 the increase on the freight for sawn lumber was
18 150 percent. Whether it comes from the coast
19 or the interior, that increase must be the same,
20 isn't it -- from the interior of the Province?

21 MR. ANDREWS: The differential between the
22 coast and the interior has fluctuated quite a bit.
23 I think the increase in freight on interior lumber,
24 say from Kamloops or Prince George to Winnipeg,
25 has not been as great as the increase in rates from
26 Vancouver to Winnipeg.

27 Q. But, to Toronto, say, or to Eastern
28 Canada?
29
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Andrews, Campbell, Armstrong Cr.-ex.
(Gobeil)

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2 MR. ANDREWS: The differential on the longer
3 haul from, say, Kamloops to Toronto, as compared
4 to the rates, Vancouver to Toronto, is very much
5 smaller -- approximately three cents a hundred pounds.
6 So, the increase on freight rates on interior
7 shipments, probably would be very close to the increase
8 in the rates on Coast shipments, as far as Toronto
9 is concerned.

10 Q. Yes.

11 MR. ANDREWS: As far as Eastern Canada is
12 concerned.

13 Q. I am asking that because, in
14 paragraph 8 on page 2, you are using the reason of
15 increase in freight rates to explain a 36 percent
16 drop in the shipment to Eastern Canada. That is
17 what you claim; isn't it?

18 MR. ANDREWS: Right. There probably is
19 approximately the same drop in shipments from the
20 interior to these points as there is on Coast lumber.

21 Q. Well, it seems that this Annual Report
22 here on page 16, table 3, the interior rail from
23 1949 to 1958, there is a 250 percent increase in
24 shipment, not decrease?

25 MR. ANDREWS: Yes.

26 Q. And in 1949 to 1958 there would be a
27 total increase in Eastern Canada from the West
28 from B.C. of 275 millions to 334 millions?
29
30



Andrews, Campbell, Armstrong
(Gobeil)

MR. ANDREWS: Yes, that's right.

Q So, if we take those figures we will show that the freight did not reduce the traffic at all from the West and the East?

MR. ANDREWS: That's right, between the West and Eastern Canada the shipments have gone up, very, very substantially over that period.

Q. It might be, then, that the Coast simply lost what the interior took from the East and that the whole amount is an increase, by all means?

MR. ANDREWS: From British Columbia.

Q. Yes.

MR. ANDREWS: Yes, that is so.

COMMISSIONER GOBEIL: Thank you.

BY COMMISSIONER ANSCOMB:

Q. Mr. Armstrong, on your summary, number 2, the last one on your sheet, as you read that, one would assume -- and I use the word advisedly -- that perhaps all your grief, or all your pricing out of the market was applied, as you expressed it, to unrealistic freight rates.

Have you any other economic factor in your view that is pressing you out of some domestic or other market, or is all your grief only a freight rate grief?

MR. ANDREWS: Sir, in the fourth paragraph



Andrews, Campbell, Armstrong
(Anscomb)

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2 I think I mentioned some few items.

3 Q. Pardon?

4 MR. ANDREWS: I am sorry. I say in the
5 fourth paragraph of that submission, I think I did
6 mention some other factors which certainly have
7 a bearing on ^{our} position, in addition to freight rates.

8 Q. Do you think they are collectively --
9 whatever they might be, without your expressing it --
10 as great a factor as freight rates?

11 MR. ANDREWS: I am afraid I am not really
12 in a position to provide an answer to that, sir.
13 I don't know enough about the constant production
14 and so on to answer the question sensibly.

15 MR. ANSCOMB: Thank you.

16 CROSS-EXAMINATION BY MR. MANN:

17 Q. Mr. Andrews, perhaps this is a
18 question for Mr. Campbell.

19 In official territory, East Coast, the
20 American railways recently put in a 60 thousand
21 pound rates on lumber which were truck competitive
22 up to a distance of roughly one thousand miles.

23 In a sense, this may be taken as a measure of the
24 extent to which lumber can be trucked in official
25 territory. Do you have any truckage on lumber
26 from British Columbia or into Alberta?

27 MR. CAMPBELL: Very, very small from the
28 Coast. And, Mr. Mann, in connection with that
29
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Andrews, Campbell, Armstrong Cr.-ex.
(Mann)

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2 reduction into official territory through the
3 southern mills, ----
4

5 Q. Well, Mr. Campbell, I am not talking
6 about that one. I am talking about the movement
7 of lumber within official territory from New England,
8 including New England and official territory,
9 to official territory.

10 MR. CAMPBELL: I thought you meant the
11 application they have before them for reduction now?

12 Q. No.

13 MR. CAMPBELL: As Mr. Andrews pointed out,
14 there is practically no lumber from the coast
15 shipped into Alberta, but from the interior and the
16 Cranbrook area, there is quite a heavy movement.

17 Q. There is quite a heavy movement from
18 the interior?

19 MR. CAMPBELL: Yes.

20 Q. The rail rates from the interior to
21 Alberta are commodity rates, are they?

22 MR. CAMPBELL: Yes.

23 Q. They are not truck competitive rates?

24 MR. CAMPBELL: They are commodity rates,
25 I believe.

26 Q. They aren't marked competitive in the
27 Prairies?

28 MR. CAMPBELL: I think they are.
29
30



Andrews, Campbell, Armstrong Cr.-ex.
(Mann)

Q. Would you say, Mr. Campbell, that the railways have lost a lot of the traffic from the interior to Alberta to trucks?

MR. CAMPBELL: I couldn't speak for the interior, Mr. Mann.

Q. I would like to discuss with Mr. Andrews, perhaps, a bit about the alternate movement of lumber to the East Coast. Commissioner Gobeil has already alluded to that.

I notice, by looking at page 16 of your Exhibit 115, which is the Annual Report, that your rail movement to the entire United States in 1958 was 468 million board feet. To the Atlantic coast, alone, of the United States, however, you shipped 568 million board feet by water. This water movement is on the increase, is it?

MR. CAMPBELL: Well, it fluctuates, depending on the number of factors, one of which is the charter of freight rates for the water-borne movement of lumber from the West Coast to the Atlantic Coast.

The freights from the west coast to the United Kingdom affect our shipments there, so that there is a number of factors involved.

Q. You think, then, that the increase, Mr. Andrews, between 1957 and 1958 figure on water-borne to the Atlantic U.S. coast was due to the



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(Mann)

depressed charter market in 1958?

MR. ANDREWS: I think so.

Q. And it will be true for 1959 as well?

MR. ANDREWS: Yes.

Q. So that the 1959 figures, if any,
would show an increase?

MR. ANDREWS: I think it's about the same.
I don't know. We have only about eleven months
returns in yet.

Q. These are movements, Mr. Andrews,
that are lost to the railways. Have the railways
expressed any concern about this loss?

MR. ANDREWS: Well, I think they watch it
pretty closely.

Q. Have they come to your Association, Mr.
Andrews, and talked to you about it?

MR. ANDREWS: Not that I know.

Q. Your movements to Eastern Canada
are shown for 1958 as 5 million board feet, in
Exhibit 115.

If you look at Exhibit 107, and you total up
your shipments to Nova Scotia, Prince Edward Island
and Newfoundland, you come to about 5,361,000 board
feet.

MR. BLAIR: Mr. Mann, which total are you
referring to in Exhibit 115?

MR. MANN: In Exhibit 115, I am referring to



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6630
Cr.-ex.

water-borne Eastern Canada, table 3.

MR. BLAIR: Table 3, right.

MR. MANN: Five million board feet to
Eastern Canada in 1958.

MR. BLAIR: Could you repeat your question,
Mr. Mann?

MR. MANN: Q. I compared, Mr. Andrews,
table 3 in Exhibit 115, page 16, water-borne shipments
in 1958 to Eastern Canada, which is shown as 5 million
board feet.

MR. ANDREWS: That's right.

Q. And Exhibit 107, in about the centre
of the page of that Exhibit, under the heading of
Distribution of Shipments, shows that a total of
your shipments in 1958 to Nova Scotia, P.E.I., and
Newfoundland gives me roughly the same, 5 million
board feet?

MR. ANDREWS: Yes. Well, that 5 million
board feet is from the Coast -----

Q. There is no movement from the interior?

MR. ANDREWS: No.

MR. BLAIR: Mr. Mann, would not the total
of the shipments to the Maritime region in the
Atlantic Provinces in 1958 be closer to 10 million
than to 5?

MR. MANN: I left out New Brunswick from my
addition, if you will notice.



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(Mann)

MR. ANDREWS: Well, this Exhibit 107 ---
the Distribution of Shipments to Nova Scotia,
Prince Edward Island and Newfoundland -- that is
Dominion Bureau of Statistics, and it does not disclose
whether that is water or rail. I think it is
probably rail shipments.

Q. Where did your 5 million board feet
of water shipments to Eastern Canada go to?

MR. ANDREWS: I don't know that, but I would
think that it went to Montreal.

Q. To Montreal?

MR. ANDREWS: Probably to Halifax, and
part of it to Montreal. That is the Saguenay terminal.

Q. I was coming to that next. I wondered
whether your shipments to Eastern Canada are on
liner services or whether you have charter service
to Eastern Canada from the West Coast?

MR. CAMPBELL: If I may answer that part,
Mr. Mann, there are occasional sailings by the
Saguenay people, but there is no set schedule.
They would put on a ship or independent charter,
as well, if sufficient tonnage offers, but it is
not something that is set up on a regular schedule.

Q. What would your rate be from Vancouver
to Montreal by Saguenay, per hundred?

MR. CAMPBELL: I couldn't quote you a firm
rate, but it would be considerably away below the



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(Mann)

\$1.60 rate there, I would say, 40 or 50 cents.

Q. But your shipments to the Eastern Atlantic coast of the United States are not in this liner service, but are in charter services; are they?

MR. ANDREWS: Full carloads, charter service.

Q. And there is no continuation of part of that carload, say, to Halifax, St. John, and Montreal?

MR. ANDREWS: I doubt it.

MR. CAMPBELL: No.

Q. Now, Mr. Andrews, referring to your submission, page 6, paragraph 15, if I may just read you that phrase. It puzzles me a little, and I would like very much to know what this means:

"If and when Crowsnest Pass grain rates are compensated to the Canadian Railways by way of subsidy or other means"

Now, it is the phrase "or other means" that I would like to have an explanation for.

MR. ANDREWS: Mr. Mann, we were referring there, I think, to the suggestion or proposal of the Railways that this be adjusted through the income tax.

Q. You wouldn't call that a subsidy to someone -- not necessarily the railways or the farmer -- would you not call that a subsidy in a manner of speaking?



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(Mann)

MR. ANDREWS: Could be.

Q So that actually "or other means" refers to subsidies as well?

MR. ANDREWS: That's right.

Q. On page 9, Mr. Andrews, you have a recommendation with regard to possibilities of savings that could be made in the case of unused spur lines and private sidings which may have become obsolete. Do you know of any unused spur lines in this country?

MR. ANDREWS: I don't know of any specific case that I could refer you to, but we feel that there are such.

Q. But you have no actual experience or proof that there are any railway lines in this country that are at the moment actually unused?

MR. CAMPBELL: Mr. Mann, if I may answer that part, as I mentioned to one of the counsel, we feel that with the wide network of our two Transcontinental Railroads there must be such a condition existing, although we have no specific mileage or sub-division to refer to.

Q. The word "unused", Mr. Campbell and Mr. Andrews, might better be expressed as "insufficiently used" rather than actually unused?

MR. CAMPBELL: There could be some cases of complete abandonment and others that are only partially used.



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(Mann)

Q. I see.

In your shipments of lumber by rail, what would the proportion be of shipments to team track, compared to shipments to sidings of consignees. Would your shipments, in other words, be chiefly team track deliveries at destination?

MR. CAMPBELL: No, I think the reverse would be true. I think it would be private siding, or, in the case of going direct to the site position, depending on the nature of the lumber that was shipped, that could conceivably be sent to a team track that would be closer to the scene of construction, than if it went to, probably, the lumber company's customer who secured the order for that.

Q. Is that system of sending shipments to sites increasing?

MR. CAMPBELL: I could not answer that, Mr. Mann. The warehouse, a certain amount; and there are cases where they want delivery right on the spot, in certain cases.

MR. MANN: Thank you very much.

MR. FRAWLEY: Commissioner Mann, just for the record, I am instructed that there are truck competitive rates published from origins as far west as Nelson into Alberta, and notwithstanding the competitive rates published that there is a very



Andrews, Campbell, Armstrong Re-exam.
(Blair)

considerable quantity by highway.

RE-EXAMINATION BY MR. BLAIR:

Q. I only have two or three questions which I hope will be brief.

Mr. Andrews, Mr. Gobeil asked a question which I thought we might just take a minute to clear on the record.

I refer to page 16 of the Annual Report and to table 3, where Mr. Gobeil pointed to the fact that shipments from the coast region of British Columbia, Prairies and eastern markets had declined from 139 million board feet and 182 million board feet, respectively, in 1948 to 54 million board feet, and 115 million board feet in 1958.

At the same time he pointed out that shipments from the interior region of British Columbia had increased from 166 million board feet in 1948 to the Prairies to 330 million board feet in 1958, and to Eastern Canada, from 93 million board feet to 1219 million board feet.

Now, the question, Mr. Andrews, based upon those comparisons is, do you attribute the shift in market position where you have lost markets, and people closer to the consuming region have gained markets, to the differentials which have resulted from these flat percentage increases?

MR. ANDREWS: My answer to that, I think,



Andrews, Campbell, Armstrong Re-exam.
(Blair)

was that is one factor only. The production in the interior increased very materially during that period.

Q. There has been a material increase in production in the interior. Now, I direct your attention to Exhibit 110, which is a Statement showing the spread of the differentials between the Coast and the interior regions.

I direct your attention to the third column which shows the freight rates as they were after the settlement in 1955 and to the fourth column which shows the freight rates as they exist now.

Would you care to say what the movement has been since 1955 and whether it has been adverse to the coast industry?

MR. ANDREWS: Since 1955 the differentials have changed somewhat, changed since the agreement was made in 1955.

Q. The differentials have changed and there is an increase?

MR. ANDREWS: Yes.

Q. One final question. My friend, Mr. Mauro, referred to one part of our Brief where we said that the lumber industry had largely carried the burden of the Crowsnest rates. I think you would agree that what we said and intended to say was that we had borne a substantial part of this



Andrews, Campbell, Armstrong
(Blair)

work?

MR. ANDREWS: Yes.

THE CHAIRMAN: Thank you, Mr. Andrews, Mr.
Campbell and Mr. Armstrong.

MR. BLAIR: May I be permitted on behalf of
the lumber industry of the Province to thank you
and the Commission for the full and courteous
hearing we have had.

THE CHAIRMAN: It is our pleasure.

MR. BRAZIER: The next Brief is that of the
British Columbia Tree Fruits Limited, and we can
possibly start that right after lunch?

MR. CHAIRMAN: As I understand it, there
are about three of the counsel who will not be here
tomorrow, so I think we should keep in mind that
Mr. Hume, Mr. Mauro and Mr. Sinclair have indicated
that they might not be here.

MR. SINCLAIR: It depends how far it gets.

MR. BRAZIER: We don't want to lose Mr.
Sinclair.

THE CHAIRMAN: I think that you might
perhaps ask these counsel which ones they want to go
on with this afternoon, and we will now adjourn until
1:45 .

----Noon adjournment.



1
2 ---On resuming at 1:45 o'clock, p.m.

3 THE CHAIRMAN: Before we proceed, I believe
4 that Mr. McDonald has something to say.

5 MR. McDONALD: Yes, Mr. Chairman.

6 I don't think we should let this occasion
7 pass without official notice, and on behalf of all
8 counsel I would like to extend to the counsel for
9 British Columbia, Mr. Brazier - and not Mr. Mauro -
10 our very best wishes on his birthday. I hope
11 that he has very many more of them and enjoys the
12 best of health.

13 THE CHAIRMAN: I am sure that it gives me
14 a great deal of pleasure, Mr. Brazier, to convey the
15 congratulations and best wishes of counsel to you,
16 and that goes for the Commission as well, and
17 particularly for the Chairman, who has known you
18 for many years.

19 MR. BRAZIER: I wish to say thank you to you,
20 Mr. Chairman and to Mr. McDonald and to learned
21 counsel for their expression of good will. All this
22 amazes me how the secret of your birthday gets around,
23 but this one happens to be a particular occasion
24 and I can understand it.

25 Now, we will proceed, Mr. Brazier.

26 MR. BRAZIER: Mr. Chairman, the next Brief
27 being presented is on behalf of the British Columbia
28 Tree Fruits Limited of Kelowna, B.C., and I call your
29 attention to the fact that the Brief is concurred in
30



1 by the British Columbia Fruit Growers Association
2 and the Okanagan Federated Shippers' Association,
3 and the British Columbia Interior Vegetable Marketing
4 Board, and the Kelowna Board of Trade.

5 Mr. Webster, who will present the Brief, is
6 the Traffic manager of the British Columbia Tree
7 Fruits Limited, and for those who are not familiar
8 with the British Columbia Tree Fruits, it is the
9 selling organization of the fruit industry of the
10 interior of British Columbia.

11 Mr. Webster has been connected with transportat-
12 ion matters for a good number of years now, and has
13 also been a member of the British Columbia Advisory
14 Committee on freight rates.

15 Also, we have here today from Kelowna, Mr.
16 L.R. Stephens, who is the Chairman of the British
17 Columbia Freight Advisory Committee, a man who
18 has possibly had a longer experience with freight
19 rate matters in British Columbia than anybody else
20 here in the room. He has also a particular
21 knowledge of tariffs and customs problems, and he
22 will assist Mr. Webster in answering any questions
23 that may be put to him by counsel.

24 With that I will ask Mr. Webster to read the
25 Brief into the record.

26
27 G. S. WEBSTER, called:

28 DIRECT EXAMINATION BY MR. BRAZIER:

29 Mr. Chairman, Members of the Royal Commission
30



Webster Dir.Exam.
(Brazier)

1 and Gentlemen, I am Traffic Manager, B.C. Tree Fruits
2 Limited, Kelowna, B.C. -- Central Selling Agency
3 designated by the B.C. Fruit Board on behalf of
4 approximately 3,600 fruit growers in the Interior
5 of British Columbia between Kamloops in the northwest
6 and Creston in the southeast. I am appearing on
7 behalf of the B.C. Fruit Growers' Association,
8 B.C. Tree Fruits Limited, the Okanagan Federated
9 Shippers' Association.

10 MR. BRAZIER: Q. I wonder if you would
11 explain to the Commission what these other two
12 organizations are?

13 A. That is, other than the British Columbia
14 Fruit Growers Association?

15 Q. Yes.

16 A. British Columbia Tree Fruits Limited,
17 the firm by whom I am employed, is the sales
18 agency which is charged with the responsibility
19 by the British Columbia Fruit Board for the
20 disposition of the entire tree fruit crop; the
21 crops grown in this area described.

22 The Okanagan Federated Shippers' Association
23 is an organization of packing houses, of which Mr.
24 Stephens is the Secretary-Manager. There are
25 about 45 to 50 packing houses in the area. The
26 actual packing is done by those separate packing
27 houses, and we sell the fruit and issue shipping
28 instructions.
29
30



Webster Dir.exam.
(Brazier)

THE CHAIRMAN: Are the fruit growers
co-operative?

MR. WEBSTER: British Columbia Fruit Growers
Association, sir, is an organization embodying
all growers - of which all growers are members if
they have one acre or more of orchard.

The packing houses in a great number of
instances are co-operative, but in some cases there
are some private packing organizations, but
regardless of the method of packing, British
Columbia Tree Fruits Limited sells the product.

MR. FRAWLEY: What is the British Columbia
Fruit Board?

MR. WEBSTER: It is a Provincial Board set
up under Provincial legislation; the personnel
is made up of tree fruit growers, who are elected
annually by the British Columbia Fruit Growers
Association.

MR. BRAZIER: Q. All right.

MR. WEBSTER: This presentation is made up
of two parts. First, a historical record outlining
the more significant experiences of our industry
in the transportation field in Canada, the assistance
we have received, and the requests we have made but
which have not been granted. Second, a list of
considered recommendations which are respectfully
submitted in the light of our experience, in the
hope that they will be of assistance to the



Webster Dir.Exam.
(Brazier)

Commission in its difficult task of plotting a transportation policy in Canada at this crucial point in our development.

PART ONE:

Our fresh fruit shipping season normally commences each year during the latter part of June when freshly picked B.C. Cherries begin to move into consumption followed in succession by Apricots, Plums, Pears, Crabapples, Peaches, Prunes and Apples. The largest crop produced in the area continues to be Apples. The main crop is picked and delivered to the packinghouses by the end of October, but the shipment of later varieties is not completed until the following spring - often as late as May. Thus, in spite of the perishable nature of our products and the comparatively short harvesting season, our shipping program extends almost completely around the calendar from late June to May.

Because of our geographic location, the greatest part of our crops must be exported to markets outside the borders of British Columbia. Our largest market is in the Canadian prairies, where the average haul probably is in the neighbourhood of 700 to 800 miles, with shipments to Eastern Canadian and U.S. markets moving over much greater distances. By contrast, fruit producing



Webster Dir-exam.
(Brazier)

districts in Eastern Canada enjoy volume consumption in large urban centres relatively close at hand.

Shipments of B.C. Apples in commercial quantities commenced in the early part of the century. Over much of our history, the cost of transportation to market has been a larger factor than the actual return to the producer. Since the Second World War - rising costs, of which a major one is freight, together with increasing competition from other producing areas has - unfortunately- established a trend of diminishing return to the British Columbia grower. In 1950 severe frosts took a heavy orchard toll, with almost half the trees being permanently damaged, necessitating replanting.

British Columbia Apple production since 1913 is illustrated in the following table:

APPLES:

Year 1913 -	465,412			
1917 -	1,502,921	--	5 year average	960,202 Bushels
1918 -	1,343,450			
1922 -	3,186,525	--	"	2,339,787 "
1923 -	3,338,053			
1927 -	3,238,476	--	"	3,171,769 "
1928 -	4,370,819			
1932 -	5,175,435	--	"	4,024,474 "
1933 -	4,820,308			
1937 -	5,849,971	--	"	5,172,847 "
1938 -	5,594,345			
1942 -	5,351,940	--	"	5,359,434 "
1943 -	3,798,577			
1947 -	6,867,433	--	"	6,484,694 "
1948 -	6,283,648			
1952 -	5,519,082	--	"	6,462,401 "
1953 -	5,395,207			
1957 -	6,404,210	--	5 year average	5,329,087 Bushels
1958 -	5,655,856			



Webster Dir-exam.
(Brazier)

I might just comment, perhaps, in the interests of simplification in reducing the number of figures we have five year averages here, and the largest single group that we have ever marketed was in 1946, which isn't actually shown here and which was almost 9 million boxes, and because of the frost damage in 1950 it had dropped back in 1951, I believe, to about $3\frac{1}{2}$ million boxes, and it was a very, very severe loss at that particular time.

Our Peach production since 1915 is illustrated in the following table:

PEACHES: (Packages about 18 lbs. net.)

Year 1915	-	158,323 Pkges.	Year 1939	-	503,389 Pkges.
1917	-	96,250 "	1941	-	694,517 "
1919	-	171,007 "	1943	-	496,900 "
1921	-	138,481 "	1945	-	1,601,881 "
1923	-	111,744 "	1947	-	1,934,840 "
1925	-	3,032 "	1949	-	2,003,732 "
1927	-	102,121 "	1951	-	1,070,138 "
1929	-	120,246 "	1953	-	1,348,326 "
1931	-	118,412 "	1955	-	1,369,452 "
1933	-	209,590 "	1957	-	1,361,512 "
1935	-	124,624 "	1958	-	1,175,964 "
1937	-	401,698 "			

Here we have alternating years and the whole story isn't told. You will notice one very small figure in 1925, which indicates frost damage that year. There have been other years similar to that,



Webster Dir-exam.
(Brazier)

1 including 1950. We took the punishment on stone
2 fruit in 1951 - this 1951 figure, perhaps, is the
3 light year. It is 1950 that was the year of the
4 substantial loss in the case of stone fruit, whereas
5 it took a year longer for the apple frost damage
6 to be felt.
7

8 From a peak volume of about 14,000 carloads
9 in 1946 - our fruit shipments have dropped to
10 between 8,000 and 9,000 carloads per year in the
11 last four seasons. Our traffic, consisting as it
12 does of high classification products, is - we
13 consider - very lucrative to the railways.
14 British Columbia fresh fruit constitutes the
15 largest block of fresh fruit tonnage moved by rail
16 to market in Canada today. Some 90% of this
17 tonnage originates in the Okanagan Valley, - a
18 narrow irrigated fertile area some 120 miles in
19 length and about 5/10 miles in width, lying between
20 the mountains in the heart of British Columbia just
21 north of the International Boundary.
22

23 Efficient, responsible, dependable transportat-
24 ion service forms an acute and necessary part of the
25 operations of our industry. We can never afford
26 to sacrifice good service when dealing with
27 perishable products for temporary savings.
28 Nevertheless, we can be sure that lower freight
29 rates being charged elsewhere in North America for
30



Webster Dir-exam.
(Bratler)

similar products over like distances are regarded as compensatory by the carriers concerned. Growers in Washington State, for example, enjoy freight rates to markets in the U.S. midwest as low as 60% of what we have to pay for hauls of similar distances to points on the Canadian prairies. We are confident, therefore that the stability and efficiency of the Canadian railways will not be undermined by reductions in rates for our products to levels more in line with those prevailing elsewhere.

It is interesting to compare the official classification of fresh fruits and vegetables on both sides of the border. In the U.S.A. carload shipments of Apples and Pears move at a maximum carload rating of $32\frac{1}{2}$, as compared with Class 45 in Canada. Stone fruits south of the line are carried at maximum carload rating of 55, as compared with Class 70 in Canada.

Historically, our struggle for lower transportation cost has been a long and eventful one, the highlights of which can be reviewed briefly as follows:

We felt, perhaps, that this short review would be of interest to the Commission because a number of very significant reductions have taken place over the years and from which we have benefited.



Webster Dir-exam.
(Brazier)

(A) REMOVAL OF THE MOUNTAIN DIFFERENTIAL:

This discrimination against British Columbia was cut back and finally eliminated in a series of three steps. In 1912 British Columbia basic rates which previously had been set at double those prevailing elsewhere in Western Canada were reduced by 25%. At this point, however, they remained half as much again as those prevailing in Alberta, Saskatchewan and Manitoba.

In 1924, a further reduction was authorized to the extent that British Columbia rates became 25% more than those in Alberta, Saskatchewan and Manitoba.

In 1949 the Mountain Differential was removed completely at last, and standard mileage Class Rates thereafter were set at the same levels as in the rest of Western Canada.

Our industry played an important role in regard to the Mountain Differential issue. Prior to its removal, the Board of Transport Commissioners journeyed to Kelowna expressly for the purpose of hearing the views of Okanagan spokesmen, and it was widely recognized that the submission presented by Mr. H.B.Ewer - then Traffic Manager for B.C. Tree Fruits Ltd. - was of distinct value to the Board at that time.

(B) EQUALIZATION:

The equalized Class Rate scale which



Webster Dir-exam.
(Brazier)

1
2 was introduced in 1955 produced rates which were
3 lower in many cases than our previous Western
4 Canadian Commodity Rates and thus benefited our
5 industry. Our vigorous representations for a
6 comparable reduction in Commodity Rates were
7 successfully opposed by the railways, although a
8 compromise formula was introduced in August 1955,
9 which did give us some assistance especially in
10 respect to stone fruit rates.

11 Vegetable rate reduction was accomplished
12 in the equalization judgment of the Board on
13 Specific Commodity Rates in December 1958.

14
15 (C) TRUCKING TO OROVILLE, WASHINGTON:

16 A gap of approximately nine miles exists
17 between the southern terminus of the C.P.R.
18 Branch Line at Osoyoos, B.C. and Oroville,
19 Washington -- a point served by the Great Northern
20 Railway. As part of our program to persuade the
21 railways to grant us lower Commodity or
22 Competitive Rates, we had found it beneficial to
23 close this gap by truck. In this way, we were
24 able to take advantage of lower U.S. Commodity
25 Rates from Great Northern railhead at Oroville
26 to centres in Saskatchewan and Manitoba.
27
28
29
30



Webster Dir-exam.
(Brazier)

(D) TRUCKING FROM BORDER POINTS TO DESTINATION

International rates via Canadian lines from the Okanagan Valley to stations just south of the border in North Dakota and Minnesota have been somewhat lower than those to intermediate stations in Canada. By shipping fruit to points like Portal, North Dakota, and Noyes, Minnesota, for unloading and hauling by truck northwards to centres like Estevan, Weyburn, Regina and Winnipeg - lower through transportation cost could be achieved. Once we proved to the railways that perishable products could be routed successfully in this manner, even under extreme weather conditions, reductions in Canadian rail rates were conceded. Such rates usually were arrived at by adding estimated trucking back-haul cost from the border to the rate from British Columbia to U.S. border point.

(E) U.S. COMPETITION:

A number of concessions have been granted by the railways under the competitive influence of lower rail and/or truck costs from fruit producing areas south of the line such as Wenatchee and Yakima in Washington.



Webster Dir-exam.
(Brazier)

(F) TRUCK COMPETITION:

Truck competition from the Okanagan Valley to Western Canadian centres has begun to make its mark. Reasonable rates have been established to Pacific Coast markets under hold-down pressure of truck operating costs over the Hope to Princeton Highway. Circuitous truck routings to prairie centres also have been opened up via International highways. These are beginning to make their mark too, as hold-downs on Canadian rail rates to centres in Alberta and Saskatchewan. As these highway routes become shorter with the opening of more direct commercial routes through the Selkirk and Rocky Mountains, it may be anticipated that lower competitive ceilings will be imposed on rates charged by the railways for our products in interprovincial movement.

(G) RAILWAY ASSISTANCE:

We would not wish to overlook cases where railway rate officials have been able to work out specific rate adjustments in the mutual interests of both carriers and shippers. In dealing with the specialized seasonal movement of perishable products such as our own, numerous problems arise from time to time peculiar to our industry. In recognizing such situations adjustments made by the



Webster Dir-exam.
(Brazier)

1
2 railways have been beneficial to our industry, and
3 we are pleased to enjoy a generally satisfactory
4 negotiating relationship with railway rate
5 authorities particularly in reference to problems
6 of this kind.

7
8 It might be assumed, perhaps, after
9 listening to this itemized record, that progressive
10 reductions in rates for British Columbia fresh
11 fruits have been achieved since the early part of
12 the century. This, however, would be quite an
13 inaccurate conclusion. The following table
14 speaks for itself. It records the climbing cost
15 of placing Apples and Peaches in Western Canadian
16 cities in carload quantities during the years
17 named:

18 Q. Would you like to comment on the table,
19 Mr. Webster?

20 MR. WEBSTER: Yes, I think it might be
21 interesting just to remark that these changes are
22 not all progressively increases. First of all,
23 the reasons we chose these three points were, first,
24 that they are each large markets and, secondly,
25 that we happened to have the old historical rates
26 to complete the table. There are other substantial
27 markets on the prairies where the situation is not
28 parallel. These reductions are partly as a result
29 of the mountain differential and partly the
30



Webster Dir-exam.
(Brazier)

equalization of class rates and partly the other
factors that have been mentioned, such as border
combinations and competitive features.

		APPLES	PEACHES
	YEAR	Per 100 lbs.	Per 100 lbs.
CALGARY:	1915	.58	.85
	1918	.725	1.065
	1922	.71	1.04
	1948	.86	1.26
	1949	.77	1.13
	1950	.85	1.26
	1951	.95	1.41
	1952	.99	1.47
	1953	1.16	1.71
	1955	.92	1.45
	1956	.98	1.55
	1957	1.02	1.61
	1958	1.02	1.61
	1959	1.02	1.50
REGINA:	1915	.75	1.00
	1918	.94	1.25
	1922	1.13	1.50
	1948	1.37	1.82
	1949	1.36	2.00
	1950	1.51	2.22
	1951	1.69	2.49
	1952	1.77	2.60
	1953	1.87	2.11
	1955	1.73	2.11
	1956	1.85	2.17
	1957	1.92	2.34
	1958	1.92	2.26
	1959	1.91	2.47
WINNIPEG:	1915	.75	1.00
	1918	.94	1.25
	1922	1.13	1.50
	1948	1.37	1.82
	1949	1.61	2.42
	1950	1.79	2.27
	1951	2.00	2.54
	1952	1.77	2.66
	1953	1.87	2.12
	1955	1.80	2.00
	1956	1.86	2.06
	1957	1.82	2.19
	1958	1.87	2.24
	1959	1.91	2.30



Webster Dir-exam.
(Brazier)

1
2 The reasons for these increases is readily
3 apparent when it is understood that Commodity Rates
4 for British Columbia fruit for the most part have
5 taken the impact of all horizontal increases
6 authorized by the Board of Transport Commissioners
7 over the years. The primary producer out here in
8 British Columbia has received no special concessions
9 in the form of exemptions or hold-downs in the
10 application of these horizontal increases to his
11 products, with the exception of certain competitive
12 factors.

13 Elsewhere in Canada, agriculture has been
14 afforded tremendous assistance. Maritime producers,
15 for example, enjoy the benefits of the Maritime
16 Freight Rates Act which provides a 20% subsidy
17 paid by the Federal Government - increased in 1957
18 to 30% in respect to tonnages moving into Central
19 Canada. Ontario and Quebec shippers of fresh
20 fruits and vegetables enjoy comparatively low
21 transportation cost both on account of their
22 proximity to large consuming centres and the
23 ready availability of trucking services which move
24 the overwhelming proportion of their tonnage -
25 estimated to be over 90% - of these commodities
26 to nearby markets.

27 The assistance rendered to prairie farmers
28 by the perpetuation and extension of Crows Nest
29
30



Webster Dir-exam.
(Brazier)

1
2 Pass rates at their historical levels does not
3 require comment here, except that undoubtedly
4 the railways have been forced thereby to seek
5 additional revenue on captive traffic. Federal
6 subsidy also has been paid on feed grain movement
7 from the prairie provinces both east and west.

8 British Columbia alone ships its agricultural
9 products eastward in long haul without statutory
10 assistance. In fact, B.C. fruit shippers have
11 been penalized, first - by the Mountain Differential,
12 and, secondly - to the extent that their captive
13 tonnages have been exposed to the full brunt of
14 increases compounded on increases imposed for no
15 other reason than that similar increases were
16 not applied to large segments of traffic
17 elsewhere in the country.

18 Recognizing the validity of the British
19 Columbia primary fruit producer's case, we
20 presented our problem to the Board of Transport
21 Commissioners on several occasions at increase
22 hearings before the Board, and were supported in
23 our endeavours by B.C. freight rate counsel.
24 On no occasion were our efforts productive of
25 relief, although it is noteworthy that in June, 1956
26 recognition was received from the then Chairman
27 of the Board - The Hon. Justice John D. Kearney -
28 by way of reference to our special set of
29 circumstances. After voicing the opinion that
30



Webster Dir-exam.
(Brazier)

any new increase would "not be susceptible of being applied on a horizontal basis to all traffic", the Chief Commissioner on Pages 3114 and 3115 of the Official Transcript of the Ottawa Hearing on June 11th, 1956, cited the position of B.C. fruit growers as an "extreme example" which might call for special consideration on the part of the railways. The railways failed, however, to take sympathetic action.

The 17% general increase awarded to the railways on the first of December, 1958 was applied in its entirety to many of our fruit rates in Western Canada. Other rates were increased by something less than 17%.

The Federal subsidy which became effective on August 1st, 1959, resulted in a reduction of our rates designated as non-competitive by about 7% in the case of fresh fruits and vegetables in Western Canadian movement.

It must be recognized that the fruit grower - as with most producers of highly perishable products - is "residual claimant" to the net proceeds of sale after payment has been made for intermediate services ranging through packing charges, transportation cost and wholesale and retail margins to final point of sale to the consumer. In recent years, due to a variety of



Webster Dir-exam.
(Brazier)

factors including complete or partial loss of markets both within North America and off-shore, and severe orchard damage from frost -- B.C. fruit growers have been subjected to shrinkage in returns during a period when the cost of living index in Canada has registered an almost steady climb.

At the back of the brief there are two Exhibits which report over a twelve year period. First of all, Exhibit "A", the gross return, that is, the actual gross sum paid to the grower by the packing houses, first of all, for apples, and a solid line for each year, and, secondly, the additional returns from stone fruit, and then, for comparison purposes, the size of the apple crop each year.

Exhibit "B" compares the gross return to the growers broken again between apples and all commodities with a line representing the cost-of-living index. You will notice how the returns have dropped or, at best, maintained themselves. They haven't increased barely at all. In 1952 and 1953 there was an increase, but over the whole there was a definite trend downward.

---EXHIBIT NO. 116 A and B

Exhibits A and B
to Brief of
B.C. Tree Fruits
Limited.



Webster Dir-exam.
(Brazier)

Our growers have striven to neutralize these pressures by adopting technical advances in horticultural practices as they have appeared. They have taken full advantage of labour saving devices and improvements in handling techniques in their packinghouses. Through a highly organized system of centralized marketing they have aggressively exploited sales opportunities not only in Canada but in the U.S.A. and throughout the world -- at the same time protecting themselves from undermining influences to their market position both from within the industry and without.

The lower grades and less popular varieties of our crops have been diverted to processing outlets, created by the growers themselves, for conversion into a number of canned and processed items, including Apple Juice formulae and other fruit juices not manufactured in Canada before. This operation must be looked upon basically as that of only salvage to growers, but it has been a source of valuable lucrative traffic to the railways. These products have moved to market at normal canned goods freight rates.

Much has been accomplished in the form of self-help as outlined in these short paragraphs.

In 1956 a Royal Commission was appointed by the Province of British Columbia to enquire into the



Webster Dir-exam.
(Brazier)

problems of our industry, and Commissioner E.D. M.A. MacPhee, M.M./B.Ed., C.A., Ll.D. -- issued his 810 page report in October of 1958 -- a very comprehensive document. A few brief quotations from this report are enlightening -- as opinions of a thoroughly qualified independent investigator:

"PAGE 106; It is apparent that since 1951 the tree fruit growers, on the average, have not been meeting living expenses from their farm operations. "

"PAGE 489: B.C. Tree Fruits cannot afford an increase of the type proposed by the railroads ... In view of the competitive situation described in an earlier chapter, it is likely this increase would be deducted from the present income of the grower. This would go far to destroying the industry. The Commissioner strongly urges the industry and the Provincial Government to make most vigorous representations for the exemption of this industry from further rate increases on British Columbia tree fruits to points east of the growing areas of Penticton and Kelowna."

"PAGE 781:there should be a revision of the basis of classification under which Tree Fruits are carried by rail."



Webster Dir-exam.
(Brazier)

"PAGE 796: Orchardists for a period of seven years have been in receipt of incomes much below the standard even of Canadian agriculture, let alone the incomes of other industrial groups of the province ... The 'average' grower in the Okanagan and Creston Valleys is not beginning to earn a livelihood off his orchard."

A thorough perusal of Dean MacPhee's report reveals the complexity of our problems, as well as the Commissioner's awareness that the factor of transportation cost is of great significance to the British Columbia fruit grower in its influence on his net return.

We would submit that the tree fruit producing industry in British Columbia has carried more than its fair share of Canadian transportation cost over its 55/60 year history, and continues to do so. As primary producers and long haul shippers, the pyramiding formula of horizontal increases compounded on increases places an unfair and discriminatory burden on our industry. Our traffic is already beyond its capacity to pay.

We are looking anxiously ahead for shortened highway routings eastward through the Rocky Mountains to come to our assistance, but it is now only



Webster Dir-exam.
(Brazier)

conjecture as to what evolutionary benefits may appear from this source and how long they may take to arrive.

Our problem in reference to retaining our distribution in Eastern Canadian markets merits special attention. Our Apple sales have been declining during the last ten or twelve years, as illustrated in the following table:

YEAR	ONTARIO	QUEBEC	MARITIMES (Incl.NFLD.)	TOTAL
1946-47	777,439	910,936	284,504	1,972,879
1947-48	634,566	1,172,957	251,667	2,059,190
1948-49	484,113	943,543	193,035	1,620,691
1949-50	319,105	481,569	217,985	1,018,659
1950-51	412,878	702,767	201,894	1,317,539
1951-52	141,948	156,731	152,409	451,088
1952-53	305,033	647,938	192,808	1,145,779
1953-54	306,706	400,775	258,429	965,910
1954-55	156,267	220,044	142,321	518,632
1955-56	107,149	180,184	115,371	402,704
1956-57	45,507	50,648	95,597	191,752
1957-58	183,838	173,753	143,723	501,314

In the United States transcontinental rates on Western fruit are the same to Vanceboro, Maine, as to Albany, New York and Boston -- whereas Canadian transcontinental rates although reaching as far as Montreal and Quebec City at competitive U.S. levels, are subjected to arbitrariness over the Montreal rate to destinations beyond. The rate from Kelowna to



Webster Dir-exam.
(Brazier)

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2 to Vanceboro, Maine, is \$2.26 per cwt.-- the same as
3 to Montreal -- while Moncton and Saint John pay
4 \$2.51, Charlottetown and Halifax \$2.56, and St. John's
5 Newfoundland, \$3.38 per cwt. Although the rate
6 to Montreal and Vanceboro is maintained at the U.S.
7 competitive level, the arbitraries applied/^{beyond}to
8 points in the Maritime provinces and Newfoundland
9 have been increased under the Canadian horizontal
10 plan.

11 Similar increases have been applied to the
12 cost of providing protective service, so that today a
13 carload of Apples from British Columbia to Halifax
14 pays \$142.70 in heating charges alone -- regardless
15 of whether or not heaters are lit enroute. Similar
16 service to Newfoundland costs \$154.55 per car --
17 whether or not heaters are lit. By comparison, a
18 carload of Apples from Oroville, Washington, to
19 Maine pays \$52.69, and optional service is available
20 here in such a way that this charge is assessed
21 only if heaters are lit from point of origin.

22 In our opinion, domestic rail rates and
23 protective service charges to the Maritime
24 Provinces and Newfoundland have become quite
25 unreasonable. The railways so far have been strongly
26 resisting our representations for reductions which
27 would place us approximately on the same rate basis
28 to these markets as existed before December 1st, 1958.
29
30



Webster Dir-exam.
(Brazier)

It would be of even greater assistance if our carlot rates to the Maritime Provinces were equalized with the rate to Vanceboro. In the meantime, our access to these far-flung markets has been reduced to little more than a fingernail hold and we are urgently in need of rate reduction in this area.

In concluding this portion of our submission, we can do no better than to quote the words of our General Manager, Mr. R.P. Walrod, in his Brief presented to the Board of Transport Commissioners in Kelowna, B.C. on March 7th, 1958 - on the Specific Commodity Rate issue, when he summed up the position of our fruit growers as follows:

"Few Canadian industries, in our opinion, have a more worthy or legitimate claim for assistance from the Federal Government to reduce transportation costs than the British Columbia fruit industry."

- - - - -

PART TWO:

We would respectfully submit the following recommendations for the consideration of the Commission:

(A) EQUALIZATION:

The broad general principle of



Webster Dir-exam.
(Brazier)

equalization should be re-affirmed as a sound basic framework on which to construct fair and reasonable transportation charges throughout Canada. The equalization of Class Rates was an outstanding achievement, although the equalization principle is more difficult to apply to Commodity Rates due to special problems which attach themselves to specific blocks of traffic, including marketing and transportation competitive factors.

As long as Eastern Commodity Rates continue to carry the influence of older lower levels, the principle of equalization has an under-writing value to the West which must not be lightly abandoned. Although some shippers may fail to appreciate the value of equalization now due to their enjoyment of competitive advantages, under changing conditions the value of the equalization yardstick may become more readily discernible to them.

(B) CROWS NEST RATES:

If the Crows Nest Rates are to be perpetuated, any loss to the railways must be protected by Federal Subsidy. The inequalities suffered by other shippers due to the maintenance of Crows Nest rates in the past without supporting subsidy must be adjusted from new subsidies received by the railways.

(C) LONG HAUL TRAFFIC AND BASIC (OR PRIMARY)

COMMODITIES:



Webster Dir-exam.
(Brazier)

We concur in the opinion expressed by the Turgeon Commission that special attention must be given to long haul traffic and rates on basic (or primary) commodities. In adjusting the inequalities referred to in the previous paragraph, this will be necessary, particularly in reference to primary commodities other than grain and grain products.

(D) OTHER STATUTORY RATES:

(1) Maritime Freight Rates Act.

We do not oppose the continuation of this assistance to shippers in the Eastern Maritime Provinces. It presumably is necessary. It is as well to remember, however, that British Columbia- too- is a Maritime Province. The long haul and economic desert factors which support the granting of the Maritime Freight Rates Subsidy are present in the case of British Columbia to an even greater degree- because of our further remoteness from Central Canada.

(11) Bridge Subsidy

It has been our considered opinion since its inception that the thinking behind this subsidy as set down in the Turgeon Commission Report was sound to the extent that the need exists for some form of special freight rate assistance to knit the far-flung sections of Canada together



Webster Dir-exam.
(Brazier)

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2 as closely as possible. In our view, the Bridge
3 Subsidy as a remedy was poorly conceived. In any
4 event, it is now indefensible in its present form.
5 A more reasonable solution would be the introduction
6 of a subsidy to reduce long haul rates ANYWHERE
7 in Canada. The Ontario Bridge Subsidy concept
8 completely overlooked the problem of Canada's
9 long ribbon-like development stretching from Halifax
10 to Vancouver which was described in the Turgeon
11 Report, and instead created another inequity which has
12 been in conflict with the equalization principle.
13 We conveyed these views to the Minister of Transport
14 in writing more than four years ago. We recommended
15 at that time that subsidization of long haul traffic
16 in Canada should be applied to ALL such traffic
17 regardless of its origin or destination. We would so
18 recommend today. There continues to be need for
19 long haul subsidy especially for basic or primary
20 commodities.

21 In referring to areas which might be
22 properly described as "bridges" or "economic deserts",
23 there is irony in the situation that British
24 Columbia was penalized for approximately 50 years
25 with high Mountain Differential rates because
26 of a so-called "bridge". The Turgeon Commission,
27 however, found an imaginary "bridge" in Northern
28 Ontario, and decided that shippers in that area
29 should be subsidized.
30



Webster Dir-exam.
(Brazier)

(iii) 7 % Subsidy on Non-Competitive Traffic

This emergency assistance, offered to shippers who had been saddled in December, 1958 with a 17% horizontal increase, is due to expire - as we understand it - on July 31st, 1960. There will continue to be a need for assistance of this type after July 31st, until relief can be afforded to such traffic in another way.

(E) HORIZONTAL INCREASES:

General increases of this type as we have known them in the past have already passed the point of impracticability. Any new rate increases can only be permitted on a selective basis where there is capacity to pay.

(F) POOLING OR CO-ORDINATING OF SERVICES:

In the face of conflicting pressures from continuing competitive rate reductions on the one hand and horizontal increases on captive traffic on the other, new attention has been focussed on the cost of providing railway freight service. The question is being asked as to what the railways' actual expenses are in connection with a particular movement such as our own. Is everything possible being done to keep these costs to a minimum? Where examples are found of unnecessarily expensive duplication of services, the suggestion is being heard that these be pooled or co-ordinated. In the Okanagan Valley, for example, two railways operate



Webster Dir-exam.
(Brazier)

1
2 duplicate branch line services over the same
3 stretch of track from Armstrong to Kelowna, and five
4 tugs are operated by two railways on the Okanagan
5 Lake where a consolidated service could probably
6 serve equally well with two or three modern vessels.

7 (G) COST OF SERVICE PRINCIPLE:

8 It is recognized that there are practical
9 difficulties in arriving at what can be readily
10 regarded by all interested parties as the true
11 cost of providing a particular transportation
12 service, in the light of the many variables and
13 averaging procedures which must be employed. A
14 comparison between revenues earned and a reasonable
15 approximation of the cost of providing service in
16 a given instance may be regarded as a useful
17 criterion in determining the practicability of
18 looking to such traffic for additional returns.

19 MR. BRAZIER: Is there anything you wish
20 to add to that, Mr. Webster? Any further comments
21 you wish to make at this time?

22 MR. WEBSTER: No.

23 MR. BRAZIER: All right. Will you answer
24 my friends, please?

25 CROSS-EXAMINATION BY MR. CUMMING:

26 Q. Mr. Webster, in paragraph 14, on the
27 second page of your submission, you point out that
28 because of your geographic position the greatest
29
30



Webster Cr.-ex.
(Cumming)

1
2 part of your crops must be exported to markets
3 outside the borders of British Columbia.

4 I wonder if you have or could obtain for the
5 assistance of the Commission any figures which
6 would show the portion of the tree fruit production
7 which you exported to off-shore or overseas markets
8 as compared to domestic Canadian markets?

9 A. I would be very glad to supply some
10 figures at a later date. I could give you some
11 round figures, sir, if that would be of assistance.

12 Q. I think, if I may make the suggestion,
13 that perhaps you could have them filed and forwarded
14 to us covering, say, a five year period. Perhaps
15 you can tell us, now, where they show a decline in,
16 say, the last five years in overseas markets for
17 B.C. Tree fruits or where they show an increase?

18 A. There isn't too much change. In the
19 last five years, you are thinking?

20 Q. Yes.

21 A. We have had shorter crops -- excuse me.

22 Now, I'm afraid what we have here is export
23 including U.S.A.

24 Q. Well, perhaps when it is convenient
25 for you, at another time, you can let the Commission
26 have the benefit of such figures as you will prepare.

27 Further on in the same paragraph, Mr. Webster,
28 you refer to fruit producing districts in Eastern
29
30



Webster Cr.-ex.
(Cumming)

1
2 Canada which enjoy volume consumption in large urban
3 centres relatively close at hand. To what fruit
4 producing district in the east are you referring
5 there?

6 A. Ontario and Quebec, and, to a lesser
7 extent, Nova Scotia.

8 Q. That would even apply in the maritimes,
9 would it, where you say there are large urban
10 centres close to production?

11 A. I think that is correct.

12 Q. Now, in the next paragraph you are
13 still dealing with the subject of increasing
14 competition from other producing areas. Would you
15 tell the Commission where the principal producing
16 areas are that are in competition with the Okanagan
17 tree fruit industry?

18 A. Closest at hand in the International
19 boundary, in Washington State, centering around
20 Wenatchee and Yakima, Oregon Hood River area,
21 and Medford, in connection with pear production;
22 to a lesser extent, in California. As far as
23 apples are concerned, in Eastern Canada and in
24 the States -- first of all in Canada, Ontario, Quebec
25 and Nova Scotia. South of the line, Wisconsin,
26 Michigan, Virginia, New England States, and other
27 areas to a lesser extent.

28 Q. Fairly generally spread, then, over
29 the continent?
30



Webster Cr.-ex.
)Cumming)

A. That is right.

Q. Looking for a moment at the production figures that are set out in paragraph 6, I note the 1952 apple production of the area of $5\frac{1}{2}$ million, which was up from a figure of $3\frac{1}{2}$ million, I think you gave us for the year 1951. Has the industry recovered from the frost damage that it sustained in that serious year of 1950?

A. To some extent, sir. This present year happens to be a short year. There frequently are inconsistencies because of growing conditions in a given year, but, by and large, perhaps it can be said as a generalization that our crop is back to in the neighbourhood of $5\frac{1}{2}$ million boxes per year, on the average.

Q. And that is not reflecting, now, much in the way of the consequences of the frost damage?

A. Yes, it is reflecting quite severely, because the crop was increasing consistently there in the pre-frost period. During the war and just after the war, there was a steady increase, and it is quite reasonable to assume that our crop today would be something like 10 or 11 million boxes had it not been for the frost damage.

Q. Had it not been for the frost damage?

A. That's right.

Q. In paragraph 8, on the next page, sir,



Webster Cr.-ex.
(Cumming)

1
2 you give some figures about the volume of shipments
3 from a peak volume of about 14 thousand carloads
4 in 1946, "shipments have dropped to between 8 thousand
5 and 9 thousand carloads per year in the last four
6 seasons. "

7 A movement of the order of 8 thousand to
8 9 thousand cars -- does that reflect a substantial
9 diversion to truck movement from the rails?

10 A. No, because this figure gives truck
11 movements. These two figures, both in 1946,
12 and in recent years both include truck movement.

13 Q. So any of the truck movement has been
14 converted to your carload equivalent?

15 A. Right.

16 Q. You refer in the next paragraph to
17 the substantial lower rates enjoyed by your
18 competing growers in Washington State.

19 Can you tell the Commission how it is that
20 they have been successful in getting rates as
21 favourable as they apparently enjoy from the
22 American carriers?

23 A. I think so, to some extent, at any
24 rate.

25 First of all, before anything else comes on
26 the scene, you have your difference in classification,
27 in that the U.S. classification is substantially
28 lower for fresh fruit; that is to say, apples,
29 pears and stoned fruits, as mentioned in the Brief,
30



Webster Cr.-ex.
(Cumming)

than here.

Secondly, there has been for one reason or another, a greater tendency on the part of American lines to publish what we might describe as specific commodity rates for such products, and particularly the fact in more recent years of the faster growth of truck competition south of the line than up here.

Q. The benefits of which you have yet to enjoy?

A. Just beginning to have that advantage.

Q. At the top of page five you mention, under the heading of Equalization, representations made by your organization for a reduction in commodity rates which was opposed by the railways and then subsequently some compromise formula was introduced in August of 1955.

Would you tell the Commission how that compromise came about, and just what it is?

A. Yes. Perhaps the railways can bear me out on this. We entered into a fairly lengthy negotiation with the railways which commenced in the early part of 1955, before the equalized cost rates were actually published. It is difficult to simplify that in a few words. We had numerous discussions, and we felt that we were being constructive, in that we submitted a definite



Webster Cr.-ex.
(Cumming)

1
2 plan to them which, to us, seemed to be both fair
3 and reasonable and entirely practical. But it was
4 rejected. This compromise formula which emerged
5 in August of 1955 left the fringes -- the northerly
6 and easterly fringes of our shipping area exposed
7 to class rates, so that the new commodity rates
8 were, well, applicable only in the areas -- oh,
9 largely, Kelowna and south in the Okanagan Valley
10 itself, to some extent, because of the groupings.
11 There were points north of Kelowna that were
12 included. Perhaps I might explain something else?

13 Q. You go right on.

14 A. It is of interest because of the
15 organization of our industry, over one selling desk,
16 and because of our representations to the railways,
17 they have published commodity rates for us over the
18 years on a blanket basis so that, regardless
19 of the point of origin, whether it is the Osoyoos
20 or whether it is Kelowna, or whether it is some
21 other point north of Kelowna, the rate is the same,
22 you see. But that situation was upset because of
23 the extremity of the blanket area being exposed
24 to class rates.

25 Q Can you give us some idea of exactly
26 what proportion of the growers or what proportion
27 of the production, perhaps, is subjected to the
28 class rates, and how much of it enjoys the more
29 beneficial rates resulting from your compromise
30



Webster Cr.-ex.
(Cumming)

arrangement?

A. You understand that the difference between the class rate and the commodity rate which might apply, or from a point such as Kelowna, could be very, very small because of the shorter mileage in a case like that, as compared with a point like Osoyoos. Would you mind just repeating your question?

Q. I was just wondering if you could give us some idea of what proportion of the growers or of the movement out of the area enjoys the benefit of this compromise?

A. It is a very difficult thing to estimate. It is something we have never attempted to do, and I would venture a guess, if I might be of assistance,-- oh, I should think about twenty percent, perhaps.

Q. It is as low as that?

A. Yes -- between 20 and 25 percent, perhaps.

Q. You touched a moment ago on this question of truck competition and an increasing amount of it, and you deal with it in a little more detail in paragraph F, on page 6.

Can you give the Commission some idea, once again I may be inviting you to give us just an estimate, of the proportion of the production of the area just moving by truck, as compared to



Webster Cr.-ex.
(Cumming)

rail movement?

A. To Canadian markets or to all markets?

Q. Perhaps you could take Canadian markets,
to begin with.

A. To Canadian markets. Well, the
heaviest movement by trucks to domestic markets is
over the Hope to Preston highway to Vancouver.

Overall percentage -- I can tell you this,
with some authority, that the percentage to all
markets by truck today is between 20 and 25 percent.

Q. That covers the whole market?

A. Yes. There is quite a substantial
California movement, in that now what the Canadian
would be -- if you take out the export traffic,
there is quite an export movement from Vancouver
to New Westminster by trucks.

Q. What would be the length of haul on
the California movement?

A. About fifteen hundred miles.

Q. Coming along to this question of
horizontal increases, you set out a table on
page 7 and in paragraph 24, in the context, you
said:

"...when it is understood that Commodity
rates for British Columbia fruit for the
most part have taken the impact of all
horizontal increases authorized by the
Board of Transport Commissioners over the



Webster Cr.-ex.
(Cumming)

1 year."

2
3 Those tables, I am instructed, Mr. Webster,
4 would not indicate that the fruit industry has
5 borne the full impact of authorized horizontal
6 increases?

7 A. That is correct.

8 Q. And you indicated there were other
9 areas where the percentage might be at variance
10 with the increases that are shown here?

11 A. Yes.

12 Q. And which have borne a greater
13 proportion of those horizontal increases.

14 You speak on page 8 of the Maritimes
15 producers.

16 Can you tell the Commission where the area
17 of competition lies for Okanagan produce as
18 against the produce of the Annapolis Valley,
19 for which markets are you competing with the
20 maritimes growers?

21 A. Domestically, you are thinking?

22 Q. I beg your pardon?

23 A. You are thinking domestically, not
24 export?

25 Q. Well, we will take it domestically.

26 A. Yes. Well, I would think that
27 generally speaking, that you could describe that
28 as eastern Canada as a whole. In other words,
29 Ontario, Quebec, Maritime Provinces and Newfoundland.
30



Webster Cr.-ex.
(Cumming)

1
2 Q. Are you in competition with the
3 Maritime producers in the prairie market?

4 A. Not very much. Just a little perhaps,
5 into Manitoba -- more with Ontario and Quebec than
6 we are with Nova Scotia.

7 Q. You say, in paragraph 27, sir, that:
8 "British Columbia alone ships its agricultural
9 products eastward in long haul without
10 statutory assistance."

11 Do I understand from that that none of
12 the B.C. Tree fruit moving from central Canada
13 to Maritimes qualifies with a subsidy?

14 A. No.

15 Q. It is moving on ineligible rates?

16 A. Yes, on U.S.-influenced rates.
17 The U.S. competitive rates.

18 Q. And in paragraph 33, you are speaking
19 of the marketing of the lower grades, and your
20 products such as apple and other juices. Are
21 they enjoying the wide Canadian market?

22 A. Not the same wide market, no.
23 No, a more restricted market, which may be described
24 perhaps generally as Western Canada.

25 Q. You point out that they are moving to
26 market at normal canned goods freight rates. Are
27 there any agreed charges applicable to them?

28 A. Not in the case of all movements, no.
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Webster Cr.-ex.
(Cumming)

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Q. No agreed charges at all?

A. No.

Q. I wonder if you could explain some of the language that is quoted from Professor MacPhee's report on the industry. I am speaking particularly of the extracts on page 489, where he says:

"B.C. Tree Fruits cannot afford an increase of the type proposed by the railroads...."

What type of increase was being expressed there, so that we can get this in context?

A. This report was written just at the time that this 17% increase was being discussed.

Q. And it was that increase?

A. That is correct, yes.

Q. And when he said "type" in the context, -- and I haven't had a chance to look at the report -- was it with reference to the type of increase as a horizontal increase, or was it with regard to the amount of the increase which was proposed?

A. Oh, I would consider it would be mainly the amount.

Q. I see. You set out another table of figures, Mr. Webster, at the top of page 12 of your submission, and it can be seen from this that



Webster Cr.-ex.
(Cumming)

1
2 there has been a substantial decline in the market
3 in Ontario and Quebec between the years 1946-1947,
4 and the years 1957-1958. And, although there is
5 a decline in your market in the Maritimes area,
6 it is a far lesser rate of decline.

7 Can you tell the Commission how it is that
8 you have been able to hold that more remote market
9 relatively as well, or so much better than you
10 have done in the central Canadian market?

11 A. I would consider that the main reason
12 there is a specialized and more restrictive
13 interest has been shown by the Maritime market
14 in British Columbia fruit. It is more seasonal.
15 Generally speaking, later varieties; after the
16 Nova Scotia apples have been largely consumed,
17 there is an opportunity for us to get in late each
18 season.

19 Q. It is a seasonal advantage that you
20 get primarily?

21 A. That is right.

22 Q. You speak in paragraph 42 of the
23 response of the railways to your representations
24 for reductions, which would place you approximately
25 on the same rate basis as existed before December
26 1, 1958. Can you tell the Commission what
27 reasons are advanced by the railways in opposition
28 to you?
29
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Webster Cr.-ex.
(Cumming)

1
2 A. I would think that perhaps they might
3 be able to answer that question - the answer has
4 been no. I remember there was one reason given
5 in a discussion a few months ago, that I believe
6 that no exceptions had been made in the table of
7 arbitraries in this particular transcontinental
8 C.F.A. tariff, and they were very, very loathe
9 to begin to make any exceptions.

10 Q. In paragraph 47 on page 14, you make
11 some suggestions with reference to the Crows Nest
12 Rates. Has your Association any recommendations
13 to this Commission as to how any subsidy, if any
14 subsidy is to be paid, should be handled; as a
15 subsidy paid to the railways or the farmers,
16 or do you have any views on that matter?

17 A. They would be personal views, sir.
18 We haven't discussed this as an industry at all,
19 but my personal views, if they are of any value,
20 would be that the subsidy should be paid to the
21 railways in such a way that both railways can get
22 reasonable assistance and not one at the expense of
23 the other.

24 Q. Now, going on to paragraph 54, do
25 we take it from what you say there that it is your
26 submission that there should be a subsidy for the
27 British Columbia Tree Fruits along the lines of the
28 Maritimes Freight Rates Act; is that a proper
29
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Webster Cr.-ex.
(Cumming)

1
2 inference?

3 A. I am sorry, sir, I don't quite get
4 that inference.

5 Q. Are you suggesting in paragraph 49
6 that British Columbia should enjoy a subsidy along
7 the pattern of that provided for in the Maritimes
8 Freight Rate Act?

9 A. No sir.

10 Q. You shy away from that suggestion,
11 or are you against it?

12 A. I wouldn't say - we would be very
13 happy to receive a subsidy of that proportion,
14 but I don't know that - we are thinking on the
15 basis of equalization, perhaps; the whole country
16 rather than just British Columbia with the Maritimes.
17 I don't think our request would go that far.

18 Q. Dealing with the question of the bridge
19 subsidy itself, have you found that the effect of the
20 bridge subsidy is to have an impact on your competitive
21 position in the prairie markets; have you been
22 hurt that way?

23 A. Speaking in the past tense, yes;
24 at the present, no.

25 Q. At the present time ----

26 A. At the present time, no. In 1955
27 particularly we were severely hurt by that situation
28 because there was a seasonal increase in the bridge
29 subsidy just at the time when the apple crop
30



Webster Cr.-ex.
(Cumming)

was moving to market, and we lost quite a bit to Manitoba distribution on that account.

Q. You recommended on page 15,
" that subsidization of long haul traffic in Canada should be applied to all such traffic regardless of its origin or destination."

Would that recommendation extend to the provision of subsidies for long haul traffic moving on agreed charges and competitive rates as well as the eligible traffic and the subsidies in the ~~bridge~~ subsidy?

A. Our thinking hasn't been as specific as that; we did note that there is a lack of uniformity in the type of assistance rendered in the various statutory subsidies. We understand that the Maritimes' subsidy, for example, is on all traffic whether it is competitive or not; whereas the ~~bridge~~ subsidy is just on the non-competitive traffic.

Q And different principles apply?

A. Yes, different principles apply.

Q. Your Association hasn't gone any further than merely making these suggestions that all long haul traffic should be subsidized?

A. That is right.

Q. Dealing finally, if I may, with the



Webster Cr.-ex.
(Cumming)

1
2 question of horizontal increases; has your
3 Association, sir, any specific suggestions to
4 put before this Commission as to how the problem
5 of horizontal increases is to be solved?

6 A. We have used the phrase, "on a
7 selective basis where there is capacity to pay."
8 I realize that that is very indefinite.

9 THE CHAIRMAN: Who will select?

10 THE WITNESS: Yes, exactly. Surely there
11 must be room for exhaustive studies on separate
12 situations by whoever is charged with that
13 responsibility; whether it is the railways themselves
14 or whether it is the Board. We wouldn't have any
15 information, but if such studies can place special
16 emphasis on the cost of providing particular
17 services, in relation to the rates that are already
18 being paid I think that in itself would be a good
19 starting point.

20 MR. CUMMING: Q. Just so that I understand
21 this, your suggestion, I take it, is that insofar
22 as the horizontal increases problem is concerned,
23 that if it can be shown that any particular shipper
24 is not capable of paying, then in that instance in
25 any event, there should be no horizontal increase?

26 A. That is right. We are thinking
27 to some extent, of course, of the position of the
28 agricultural producer, where again one's capacity to
29
30



Webster Cr.-ex.
(Cumming)

pay is recognized even to the extent of statutory rates being granted, which are admitted to be less than the cost of service.

Q. Have you, in your thinking on this question considered the converse of the situation and supposing there was a new-found prosperity in a particular industry for the long haul shipper, and which otherwise it would possibly be subject to the horizontal increase - if there were a particular prosperous increase, conversely to what you suggest, would it be prohibitive where there was no capacity to pay and should there be an increased rate for that?

A. I think that is one of the factors that should be taken into consideration.

Q. Thank you.

THE CHAIRMAN: I think we had better have a break now.

---A short recess.

CROSS-EXAMINATION BY MR. HUME:

Q. Mr. Webster, my name is Fred Hume and I represent the Canadian Trucking Associations. I read your Brief with great interest, and you indicate in your Brief that your industry is beginning to use the highway services, and there are just about three points that I briefly wish to



Webster Cr.-ex.
(Hume)

cover with you.

For clarification, on page two, if you would be good enough to look at your paragraph 4, where you speak of the average haul: may I assume that you are there speaking of the average rail haul, or are you speaking of the average haul by rail and/or by truck?

A. The average haul by rail, sir.

Q. You have told us about this 15 hundred mile haul down to California with some of your products, and bearing in mind that figure as part of the average, could you give me some idea of what the average truck haul might be of your products?

A. The average truck haul of domestic traffic?

Q. Well, take it any way you like, sir?

A. It will be a pretty wild guess: perhaps I might refer to the different types of movements, briefly?

Q. It may be of assistance, but perhaps I can shorten it by asking you this: Are your goods being trucked a corresponding distance domestically as they are to California - and I have in mind the answer you gave to my learned friend.

A. Yes, sir.

Q. They are going 15 hundred miles domestically?

A. Yes, sir.



Webster Cr.-ex.
(Hume)

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Q. As far as where?

A. Ontario.

Q. Is this a very minor part of your movement, or is it -- give me some idea as to the percentage of the central Canadian movement?

A. The eastern Canadian market, as illustrated in these figures further along in the Brief, is a contracting one, so that, percentage-wise, over the whole, it doesn't have the significance it used to have.

Q. I am speaking of truck movements now?

A. Oh, excuse me.

Q. I am speaking of truck movements, to try and get some idea as to how your goods are moving and how far. You have said they move by truck into central Canada?

A. Yes.

Q. Now, is that an important percentage, a very minor percentage, or what is the situation?

A. Of the total truck haul?

Q. Of the total movement into central Canada?

A. Oh, I see. Yes, it is an increasing percentage -- I don't know; I would think perhaps it might have been this past year 25 to 30 percent.

Q. 25 to 30 percent of the fruit and vegetables from this province into Central Canada are going by truck?



Webster Cr.-ex.
(Hume)

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A. Yes.

Q. And that is increasing, you say?

A. Yes.

Q. Is that a matter of rate or service,
or a combination of both?

A. A combination of the two.

Q. Is the truck rate lower into central
Canada than the railways?

A. Yes.

Q. And is the equipment being used now
satisfactory for your purposes, such as thermal
equipment and refrigerator trucks?

A. Yes, sir.

Q. And this is a for hire movement
and not a private movement?

A. It is a for hire movement.

Q. Then, on page 5 in paragraph 18, you
describe a technique of getting your goods into
Saskatchewan and Manitoba whereby you use the truck
for the nine mile gap and then -- is it United States
rail or United States truck lines?

A. United States rail.

Q. And then it is unloaded somewhere south
of Saskatchewan and Manitoba and is trucked back into
those provinces?

A. No, that would be direct by rail from
Oroville to Canadian destinations.



Webster Cr.-ex.
(Hume)

1
2 Q. The only part of the truck movement
3 is to close the gap?

4 A. Yes.

5 Q. And by using that technique you
6 get a better rate than shipping it by a Canadian
7 railroad?

8 A. Using the past tense, yes; not at
9 the moment. That is one of the leverages of
10 which we took advantage in order to attempt to get
11 lower rates.

12 Q. Then, in paragraph 19 you describe
13 another technique of trucking from border points
14 to destination, as to how you get your products
15 into Estevan, Weyburn, Regina and Winnipeg; is
16 that in the past tense, or are you doing that now?

17 A. It is both in the past tense --
18 perhaps a bit more -- definitely more in the past
19 tense; but still there is some going on today.

20 Q. That seems a very circuitous way
21 of getting your fruit into, say, Weyburn, and
22 Saskatchewan; I presume you do it because the
23 rate is that much less?

24 A. Yes.

25 Q. You can move it to the American line
26 by the American railroad and by a trucking company
27 to bring it back into Saskatchewan for less than
28 the rail rate?

29 A. Yes, it is practically entirely a
30



Webster Cr.-ex.
(Hume)

1
2 Canadian rail haul; it merely goes over the border
3 into the States and then goes back in a truck.

4 Q. I see.

5 A. There is practically no U.S. haul
6 in that.

7 Q. It is going by Canadian rail, but,
8 by going into the United States, you get better --

9 A. Yes.

10 Q. I understand from what somebody said
11 this morning, that in connection with the movement
12 into the Prairies, that last year 80 percent of
13 the vegetables produced by your colleague
14 Association into Edmonton and Calgary went by
15 highway transport rather than by rail; is that an
16 inaccurate statement?

17 A. Inaccurate statement, yes.

18 Q. What would be the percentage?

19 A. I would doubt if it was one percent,-
20 practically nothing.

21 Q. On page 6, and again later on in the
22 Brief -- and you need not look at it for the
23 purposes of my question - you point out the effect
24 of truck competition, and how you are looking forward
25 to it provided there are some benefits -- I think
26 I have interpreted that paragraph reasonably well?

27 A. I don't think we phrase it quite like
28 that. I think we are referring to the cost of truck
29
30



Webster Cr.-ex.
(Hume)

1
2 service being a depressing factor on present rail
3 rates. We have a situation where present rates
4 are constructed without regard for cost of service,
5 but as the alternative form of transportation makes
6 it appearance, perhaps not immediately but within
7 a reasonably short interval of it first making its
8 appearance the cost of trucking service begins to
9 stand out as a hold-down feature on the rate charged.
10 That has been our experience.

11 Q. And you say in paragraph 38, on page 11
12 "We are looking anxiously ahead for shorter
13 highway routings eastward through the Rocky
14 Mountains to come to our assistance, but it
15 is now only conjecture as to what evolutionary
16 benefit" and so on.

17 As I read those two paragraphs I get the impression
18 that what your Association was suggesting to this
19 Commission was that as these highway routes become
20 more accessible or more available or more direct
21 that you will expect some benefit by reason of the
22 rate?

23 A. That is correct.

24 Q. Am I correct in assuming that your
25 product would fall into that category of which we
26 have heard so much in the last two weeks, of
27 captive traffic -- you move generally on class and
28 commodity rates?

29 A. I think that is a fair statement.
30



Webster Cr.-ex.
(Hume)

1
2 Q. Yes.

3 A. In order to answer you more effectively,
4 perhaps I should say the situation is changing --
5 year by year. Competition is coming into the
6 picture progressively season by season.

7 Q. Not so many years ago you were strictly
8 captive, and when a horizontal increase went in you
9 paid it?

10 A. Yes.

11 Q. And now what you expect to happen is
12 that by the growth of truck competition you expect
13 the competition factor will produce a competitive
14 rate?

15 A. I wasn't only thinking of truck
16 competition. I was thinking of the competitive
17 situation which prevails in relation to the movement
18 of similar products from other growing areas --
19 the Washington, for one, and the Wisconsin-Michigan
20 situation for another; those are the two main ones.

21 Q. I am particularly interested in your
22 paragraph 38, and I wonder if you would be good
23 enough to look at that where you directly refer to
24 shorter highway routings, which I assume you are
25 attempting to emphasise that truck competition
26 will be a factor in taking you out of the captive
27 class?

28 A. Yes, I would like perhaps to make
29 this differential between the use of the term "truck
30



Webster Cr.-ex.
(Hume)

1
2 competition" and "cost of operating truck". You
3 will notice that I have used the phrase "the cost
4 of trucking service" rather than "truck competition".
5 I have in mind the point made by Mr. Elmer yesterday
6 where he was referring to unsound competitive
7 relationships which temporarily influence rate
8 adjustments which have to be repeatedly corrected
9 because of some inadvisable decision having been
10 made because of an unsound trucking operation.
11 That is not what is intended here at all.

12 Q. I appreciate that. I think the point
13 you are trying to make is that by the introduction
14 of a competitive means of transportation on a
15 reasonably sound basis affecting your product,
16 would you expect a better rate picture -- and this
17 has been the situation over the last ten years,
18 in Western Canada, hasn't it?

19 A. That is right.

20 Q. The growth of trucking across Canada,
21 the development of the Trans-Canada Highway, has
22 all had an impact upon competitive rates?

23 A. Yes.

24 Q. I just want to put this question to
25 you as a matter of interest, and I think it may
26 follow: If the truck competition, either by
27 reason of you people buying your own trucks and
28 using them or hiring somebody to do it, takes you
29
30



Webster Cr.-ex.
(Hume)

1
2 out of the captive class, and if the railways
3 require increased revenues to carry on, where is that
4 going to come from, sir, if the captive class becomes
5 less and less and less? What is the suggestion
6 that is implied in your Brief, that you are hoping
7 for these benefits - who is going to pay the
8 increase in the end?

9 A. The increases to the railways?

10 Q. Yes?

11 A. I would suggest that if the traffic
12 leaves the railway, it would be necessary for the
13 railways to curtail service and there will be
14 tremendous savings in the process of that contraction
15 of service.

16 Q. My last point: You refer to the
17 fact that in Central Canada the competitive use
18 of highway transport has such an advantage for the
19 producer in Central Canada, and I presume you are
20 referring to the producer in the Niagara Peninsula
21 and places in Ontario and Quebec where fruit and
22 vegetables are grown?

23 A. That is right.

24 Q. Do you have the same force of
25 competition on your intra-provincial movement from
26 the Okanagan Valley into your large centres such
27 as Vancouver and other places, that are large
28 consumers of your product? Do you have a complete
29
30



Webster Cr.-ex.
(Hume)

1
2 and adequate truck movement in your intra-provincial
3 movement?

4 A. Not entirely.

5 Q. And do any of your members or your
6 people have their own trucks and move their own
7 products in their own trucks?

8 A. Our members -- no, sir.

9 Q. Well, your Association; do you have
10 your own highway transports?

11 A. Perhaps we should say that there are
12 just a very few.

13 Q. And are they hauling your product
14 to a market and then returning empty? Is it a one-
15 way load?

16 A. No, no. -- well, both situations
17 prevail to a very limited extent. We have a
18 situation, for instance, where because of this
19 rail connection not being completed to Oroville,
20 traffic which originates to greater advantage on
21 the Great Northern Railway must move by truck
22 to Oroville for loading. Quite a substantial part
23 of that takes place in industry trucks.

24 Q. Have you any agreed charges with the
25 railways?

26 A. Not formal agreed charges. We have
27 been operating this season under what we might term
28 a verbal contractual agreement, which is practically
29
30



Webster Cr.-ex.
(Hume)

1 the equivalent of an agreed charge.

2 Q. Under that verbal contractual agreement
3 have you agreed to give them a percentage of freight
4 in return for a rate concession?
5

6 A. Yes, sir.

7 Q. And is this leading towards an agreed
8 charge?

9 A. Probably, sir, yes.

10 Q. And was it put into effect to meet
11 truck competition by the railroad?

12 A. Yes, sir.

13 CROSS-EXAMINATION BY MR. FRAWLEY:

14 Q. Would you mind telling me about the
15 verbal agreement that you have with the railways
16 that leads to the giving of some percentage of
17 traffic?

18 A. What can I tell you, sir?

19 Q. You said there was some verbal
20 understandings by which a certain amount of traffic
21 was committed to the railways?

22 A. Oh, I understand your interpretation.
23 I am sorry, I didn't mean it that way. What I
24 meant was that certain competitive rates have been
25 published in the commodity tariffs.

26 Q. Yes?

27 A. I say, competitive rates -- competitive
28 rates and an extension of specific commodity rates,
29
30



Webster Cr.-ex.
(Frawley)

1
2 and in the process of negotiating such rates with
3 the railways, we did undertake to route a certain
4 minimum percentage of traffic by rail.

5 Q. And so, in negotiating for the open
6 competitive rate being published, you undertook
7 in the negotiations to commit a certain amount of
8 your traffic to those rates, if and when they were
9 published?

10 A. To rail?

11 Q. To these rates?

12 A. Yes.

13 Q. You undertook to commit a certain
14 percentage of your traffic to those open competitive
15 rates that would be published?

16 A. Do you mean the same thing as "by rail"
17 when you say that?

18 Q. No. I am speaking entirely about
19 rail. You had some negotiations with the railways
20 leading to the publication of what I call an open
21 competitive rate as distinguished from an agreed
22 charge; right?

23 A. Yes.

24 Q. And in the course of those negotiations
25 you undertook to give a certain portion of your traffic
26 to those rates?

27 A. No.

28 MR. BRAZIER: Not to those rates, Mr.
29 Frawley, but to the rails, whether on those rates or
30



Webster Cr.-ex.
(Frawley)

1
2 other rates.

3 MR. FRAWLEY: I am talking about rails
4 entirely, of course.

5 Q. You made this commitment in your
6 course of negotiating a certain open competitive
7 rate, and you undertook that you would give a
8 certain portion of your traffic to the rails under
9 that rate and on some other rates?

10 A. Well, as far as that particular
11 destination is concerned, it would be that rate;
12 but, the thing is, it is a blanket agreement, so
13 to speak - a blanket coverage; not that one specific
14 point.

15 Q. Just so I will understand it, you
16 gave certain verbal undertakings covering certain
17 percentages of your traffic?

18 A. Yes, sir.

19 Q. Were you asked to enter into an
20 agreed charge to make that actual contract?

21 A. I think the answer there perhaps could
22 be "yes". I think the question before, as I
23 remember it from Mr. Hume, was, "was this leading up
24 to an agreed charge?", and perhaps if I answered
25 that affirmatively, that would answer your question.

26 Q. You say you did not enter into any
27 agreed charges?

28 A. No, not yet.
29
30



Webster Cr.-ex.
(Frawley)

1
2 Q. But in the course of talking about
3 whether you would enter into an agreed charge, or
4 whether the railways would merely as an alternative
5 publish an open competitive rate, it was during the
6 course of those negotiations that you gave them
7 certain verbal undertakings?

8 A. Yes.

9 Q. And they were satisfied and they
10 didn't press you to give them an agreed charge:
11 is that a fair way to sum it up?

12 A. I would think so.

13 Q. You told my friend Mr. Hume that if
14 traffic was lost in increasing degree to highway
15 transport, and that would necessarily mean that
16 the traffic which is captive to the rails would
17 necessarily decrease in proportion, then Mr.
18 Hume put it to you under those circumstances,
19 where would the railways get their authorized
20 increases that they obtain from time to time
21 from the Board of Transport Commissioners, and I
22 understand your answer to Mr. Hume was -- you then
23 suggested that the railways should or could curtail
24 the rail service. Did I understand that correctly?

25 A. I was thinking long term, sir.

26 Q. Well, I don't quite understand that.
27 What rail service would the railways curtail?

28 A. Well, the service which had been
29
30



Webster Cr.-ex.
(Frawley)

1
2 provided in the past for our traffic, for example.
3 We have certain freight train services that are run
4 especially for our fruit, particularly in the busy
5 season of the year. We have certain services in
6 the Valley in terms of Lake service, Spotting
7 services, local branch line services -- all those
8 presumably could be contracted if we reduced the
9 total quantity.

10 Q. Well, I now understand. It would
11 simply mean that the railways would not need to
12 provide as much service if you went over to highway
13 in a large way?

14 A. Yes.

15 Q. It isn't a very attractive process
16 for the railways, though, is it? Now, here is
17 something that I do not understand, Mr. Webster.
18 I wish you would explain it.

19 You told my friend, Mr. Hume, that 25 to 30
20 percent of your total traffic to Ontario was going
21 by highway?

22 A. Yes, sir.

23 Q. And to Calgary and Edmonton you didn't
24 think there would be one percent going by highway.
25 How do you account for that?

26 A. As I remember it, I said between 20 and
27 25 percent eastern Canada.

28 Q. Yes, 20 to 25 percent Eastern Canada,
29
30



Webster Cr.-ex.
(Frawley)

1 and about one percent ----

2 A. No, sir.

3 Q. You didn't say that?

4 THE CHAIRMAN: No.

5 THE WITNESS: One percent of fresh vegetables.

6 MR. HUME: My question was directed to
7 vegetables.

8 MR. FRAWLEY: Q. Are you people in the
9 vegetable business?

10 A. No.

11 Q. Just keeping to tree fruits, when you
12 said 20 to 30 percent of the total movement to
13 Ontario, you were talking about fresh vegetables?

14 A. No, sir.

15 MR. HUME: Perhaps I can help my friend,
16 Mr. Frawley. I asked Mr. Webster about fruit,
17 because he is here representing the B.C. Tree Fruit
18 Limited, but somebody has also given me information
19 about vegetables, and the B.C. Interior Marketing
20 Board concurs in this. I then asked a second
21 question about vegetables, only to Alberta, knowing
22 that you would deal with anything else with regard
23 to Alberta, and there is where the confusion has
24 arisen.

25 MR. FRAWLEY: Q. Dealing with tree fruits,
26 you have about 20 to 30 percent with moves into
27 Ontario by highway. How much volume moves into
28 Alberta by highway?
29
30



Webster Cr.-ex.
(Frawley)

1
2 A. I think I said between 20 and 25 percent
3 into Ontario, Mr. Frawley.

4 Q. Yes.

5 A. You are referring to the present
6 situation, sir?

7 Q. Yes, over the past few years and the
8 present situation.

9 A. To answer that adequately, perhaps
10 I should go back to the application of the 17%
11 increase on December 1, 1958.

12 Now, we had a situation commencing with the
13 application of that increase where there was a very,
14 very significant trend away from rails. And, over
15 the balance of that particular shipping season,
16 from the 1st of December, through until the end of
17 June, as I remember it, there was something like
18 55% of our total movement into Alberta and St.
19 John that moved by truck.

20 Q. You say June -- you mean June, 1959?

21 A. 1959.

22 Q. Well, what caused any change in that
23 trend, or has there been any change?

24 A. Yes, there has definitely been a change
25 back to rail. You can understand that, because
26 of what has already been said, that we have received
27 great concessions into Edmonton and other Alberta
28 centres, and there has been a swing back to rail.

29 Q. You have received concessions from the
30



Webster Cr.-ex.
(Frawley)

1
2 railways?

3 A. Yes, we have received concessions.

4 Q. What kind of concessions? Rate
5 reductions?

6 A. Rate reductions.

7 Q. Did they take off the 17% increase?

8 A. Yes, yes. They did. Well, yes
9 and no. The 17% -- one of the special assistances
10 that were rendered to our industry by the railways
11 was the cancellation of the 17% increase during
12 a very difficult marketing period that we had
13 at that time.

14 Q. They weren't only assisting you; they
15 were doubtless assisting themselves to get that
16 traffic back there on the railway?

17 A. That's right.

18 Q. They did not apply that 17% increase
19 authorized by the Board effective December 1, 1958?

20 A. No.

21 Pardon me, sir, they did, originally, but
22 when the situation became evident to them that we
23 were having marketing difficulties and also the
24 insertion of this truck competition situation,
25 the assistance was offered to us.

26 Q. That was understandable, in many
27 parts of Canada; what you have explained.

28 A. Yes.
29
30



Webster Cr.-ex.
(Frawley)

Q. Something else arising out of the fact you say from 20 to 25 percent of your total volume goes by highway to Ontario, and you said to my friend, Mr. Hume, that that was a combination of rate and service that put that much on the highway?

A. Yes, sir.

Q. There is no rate regulation covering that highway movement? No regulation of the rates by any Government Board?

A. I don't believe so, sir.

Q. Well, I think there is not, and are you satisfied with that absence of rate regulations?

A. It has not presented a problem to us, sir.

Q. The fact there is no rate regulations has not been a problem to you?

A. No.

Q. Now, I was interested in your saying that there was a rate from Kelowna to Vanceboro, Maine, of \$2.26, and that is on page 12. I notice there that you have a differential of 25 cents over that rate to get into St. John, New Brunswick. That is so, isn't it?

A. That is correct.

Q. Well now, Vanceboro is right practically on the New Brunswick line; isn't it?



Webster Cr.-ex.
(Frawley)

A. That is right.

Q. And a very few miles from St. John.
You talk about using the trucking technique in
other parts for your movements. Have you tried
the trucking technique to get rid of that 25 cents
differential between Vanceboro and St. John?

A. No, we haven't.

Q. You just go on paying twenty-five cents
differential.

I just want to ask you one more thing. In
paragraph 27 -- if you will just take a look at that--
you say that British Columbia alone ships its
agricultural products eastward in long haul without
statutory assistance; and you mean that everybody
else shipping agricultural produce, at least in
Canada, traverses the bridge and gets the bridge
subsidies, that is what you are saying there?

A. No, sir, -- or other form of statutory
assistance.

Q. Oh, well, yes. There is grain.

A. Grain, or the Maritime tonnage
coming in.

Q. I am talking about eastbound into
Eastern Canada.

A. Yes.

Q. It is the bridge subsidy, apart from
the Crows Nest Rate?



Webster Cr.-ex.
(Frawley)

A. Yes.

Q. All right. Now, you do not get the bridge subsidy because the Board has, by one of its General Orders, excluded all competitive rates?

A. That is correct.

Q. And you understand that that means competitive rates originating anywhere and covering any kind of commodity?

A. Yes.

Q. I put it to you, Mr. Webster, would you rather have the bridge subsidy or would you rather have your United States - generated reduction?

A. In reference to our eastern Canadian movement?

Q. In reference to shipping your tree fruits into Ontario?

A. Well, we have recommended in the Brief, sir, that the bridge subsidy be withdrawn.

Q. That is not my question. I am putting it to you -- supposing you could not have both of them and you had to choose between whatever reduction you want -- of course, you are geared to the U.S. reductions -- and you have to choose between that and getting the bridge subsidy. Which would you choose?

A. Well, I can't see any possibility of our being asked to choose between those two alternatives, but undoubtedly the competitive relationship



Webster Cr.-ex.
(Frawley)

between our area and other fruit growing areas was not very important.

Q. Yes. Apples are going into Eastern Canada from Wenatchee and Yakima and today you can buy Wenatchee apples in Montreal today; you know that very well; and that is because of favourable freight rates from Wenatchee into Montreal?

A. Yes, sir, it brings up a point that was mentioned just a little further down here in regard to protective service, in that although our basic rate has been ^{as} steady as the rates in Washington the railways so far have refused to give us a comparative protective service rate. We pay these inflated carriers' protective service rates with the Canadian composite increased level, you see.

Q. In other words, you get the same basic rate going into Montreal as the Wenatchee apples do, but the railways have not reduced the other areas in the same way?

A. Correct.

Q. I want to try and gauge the comparable benefits of the bridge subsidy benefit and the benefits that you get being geared to the reductions on the apples moving out of the Yakima and Wenatchee. Now, which would you say is the more favourable rate situation?



Webster Cr.-ex.
(Frawley)

1
2 A. Referring again to the bridge
3 subsidies by comparison with the ----

4 Q. That's right. That is what I am
5 trying to compare.

6 A. I felt I had expressed myself there.
7 We think that the bridge subsidies was poorly
8 conceived, and we could not submit an argument in
9 favour of the bridge subsidy for our traffic today
10 at all.

11 Q. I see. You don't want to lose your
12 American benefits that you get, but what you are
13 endeavouring to do is just remove it; you don't
14 want anyone else to benefit from it; that is
15 what you say?

16 A. We are recommending, as against the
17 bridge subsidy which applies only on traffic going
18 over this particular restricted area in Ontario
19 that some form of assistance to long haul traffic,
20 generally, in Canada be offered.

21 Q. Yes, but Mr. Webster, what I can't
22 understand is why it is really any concern to your
23 people. What about people taking livestock
24 and going from the foothills down to Eastern Canada;
25 they go over the bridge and get some subsidy. You
26 are not anxious to take that away from the livestock
27 growers in the foothills of Alberta, are you?

28 A. We are suggesting it be given to the
29 livestock shippers in a different form.
30



Webster Cr.-ex.
(Frawley)

Q. Well, then, that isn't going to help very much, if you simply take away the name "bridge subsidy" and give them some other kind of subsidy?

A. We think the bridge subsidy, as presently made available, is unnecessarily in conflict with the principle of equalization.

Q. Mr. Webster, I am afraid I was just a little thick-headed. I think I know what you mean now. You say "remove the bridge subsidy and put in a subsidy for long haul shippers, and we get that, and we get the Wenatchee reduction, too". That is what you say?

A. No.

Q. You don't want to lose the reduction you have in relation to the Wenatchee group?

A. I am not relating the reduction in long haul to any particular traffic, either yours or mine.

Q. That's right. But you think there should be a subsidy for long haul traffic moving into Eastern Canada?

A. Yes.

Q. And you would get that?

A. It would depend on the form of the subsidy, whether it applied to competitive traffic or not.

Q. Oh. Well then, you don't think that



Webster Cr.-ex.
(Frawley)

1
2 what we may call a standard long haul subsidy
3 should be available to traffic that was already
4 getting the advantage of some competitive rate?

5 A. We haven't stated any position on
6 that, sir. We merely commented we note that the
7 Maritime subsidy is available for both competitive
8 and non-competitive traffic, whereas the bridge
9 subsidy has only been on non-competitive traffic,
10 and we suggest that whatever adjustment is made
11 be, as far as is reasonably possible, closer to
12 the principle of equalization.

13 Q. I understand, and I do not want to be
14 drawn into anything concerning ^{the} Maritime Freight
15 Rates Act, but what you are calling attention to
16 is the Maritime Freight Rates Act applies, and
17 competitive traffic is not excluded from it?

18 A. Yes.

19 Q. That is in another world, as far as
20 I am concerned, because it has been cut out from
21 the equalization provision of the Railway Act.
22 I think I do understand you, now. And in fairness
23 to you, you don't think you should get it double;
24 you don't think you should get reductions because
25 your rates are related to the rates moving apples
26 out of Wenatchee -- you don't want that benefit,
27 as well as the benefit of a new long haul subsidy
28 that might be introduced into ^{the} Canadian freight rate
29
30



Webster Cr.-ex.
(Frawley)

structure?

A. We do not suggest that only ourselves should benefit. If other industries benefit, we should benefit likewise.

Q. Speaking of yourself, you are not particularly concerned with getting the double benefit?

A. Well, we are taking no position in that respect.

MR. FRAWLEY: Thank you very much.

CROSS-EXAMINATION BY MR. MAURO:

Q. Could you give me the class one hundred rates from Kelowna to Winnipeg?

A. Class one hundred rates from Kelowna to Winnipeg -- I am sorry sir. I haven't got it with me.

Q. What percentage of the class one hundred do you think \$1.91 from Kelowna to Winnipeg represents?

A. I am afraid I couldn't help you.

Q. Page 7, Mr. Webster.

A. I am afraid I can't help you on the spur of the moment, sir. The \$1.91 rate referred to in here, which was the 1959 rate on apples to Winnipeg was constructed by adding ^{the} back-haul factor -- estimated back-haul by truck from Noyes, Minnesota --- to the commodity rate to Noyes, Minnesota.

Q. I wondered on what you base the



Webster Cr.-ex.
(Mauro)

statement in paragraph 10 that in the United States carload shipments of apples and pears move at the maximum carload rating of $32\frac{1}{2}$, as compared with Class 45 in Canada. I thought it might clarify the situation if you could tell us what the class one hundred was from Kelowna to Winnipeg, and we see on page 7, that the rate in 1959 is \$1.91, so that it ^{is} probably for a good part of that?

A. It is a competitive rate, sir, but the rate to Noyes, Minnesota, ^{which} is just about 70 miles south of Winnipeg, is \$1.51, so there is a 40 cent factor added to that. This perhaps is of some interest, in that much of that traffic moves right through Winnipeg by Canadian National Railways, and moves on a further 70 miles and then turns over to an American line for spotting. So that, if the traffic is delivered in Winnipeg rather than going beyond, the cost of service would be less to the railways. But this is the combination on the border.

Q. Well, on that matter of combination Mr. Webster, I notice on page 12 the rate from Kelowna to Vanceboro is \$2.26 a hundred weight, the same as to Montreal?

A. Yes, sir.

Q. Is there any border combination paid by the Montreal shippers?

A. No, sir.



Webster Cr.-ex.
(Mauro)

1
2 Q But there is by the Winnipeg shipper?

3 A. Yes, sir.

4 Q. Has anyone told you why the discriminat-
5 ion against the Winnipeg shipper?

6 A. It is something we have been fighting
7 for years, attempting to get that Winnipeg rate
8 down. We have actually had another concession
9 since this \$1.91 rate was shown, which was given
10 to us after what we felt was an unnecessarily long
11 waiting period to equalize us with Ontario shippers.

12 The Ontario local shippers were given
13 reduced rates during the past year into Western
14 Canada, that placed them in a position where they
15 could get into Winnipeg cheaper than we could.
16 After a lag, I think, of about six weeks or so,
17 we were given the same rate into Winnipeg.

18 Q. Just so I understand how you use certain
19 words, it would be your opinion, if the railways all
20 of a sudden started to treat Winnipeg the same as
21 they treat Montreal, that would be a concession?
22 If they removed the border combination completely,
23 would you consider that the railways were giving
24 your Association or the Winnipeg shipper a
25 concession?

26 A. No, sir. A concession, to me, is
27 a reduction in rate.

28 Q. If they are really conceding something --
29
30



Webster Cr.-ex.
(Mauro)

1
2 but, I suggest when we are talking about equality
3 of treatment, or removal of discrimination, it is
4 not a concession; is it?

5 A. A reduction in rate is a concession
6 regardless of the reasoning behind it.

7 Q. If they are forced to do something,
8 that is still a concession?

9 A. That is the way in which I used the
10 term.

11 Q. But, in the case of the border
12 combination rates in Winnipeg and the treatment
13 at Montreal, that is just treating two shippers
14 equally?

15 A. I find it difficult to follow that.

16 MR. SINCLAIR: I wonder if my friend,
17 when he uses the word "discrimination" with that
18 view, when he is trying to put it to the witness,
19 whether he means discrimination that is lawful
20 or whether he means unjust discrimination.

21 MR. MAURO: My learned friend, Mr. Sinclair,
22 will argue the facts.

23 MR. SINCLAIR: The facts are the facts.

24 MR. MAURO: It is pretty clear in the
25 Brief what the facts are.

26 MR. MAURO: Q. Do you know any reason
27 why the Montreal shippers should be treated
28 differently than the Winnipeg shipper?
29
30



Webster Cr.-ex.
(Mauro)

A. You mean the receiver?

Q. Yes, the receiver.

A. Any differently, in regard to the form
of competitive rate that is entered into?

Q. The goods going to Montreal go from
the border into Montreal free of charge; is that
right?

A. No, sir.

Q. Well, is there a through rate
published in Montreal?

A. Oh, I understand your thinking. Yes.--
in other words, you are suggesting that the rate
to Montreal is the same as the rate to the border
points, that is correct.

Q. Yes. So there is no additional
charge from the border to Montreal?

A. That could be said, I suppose, yes.

Q. Do you think it could not be said?

A. I'm sorry.

Q. And there is a charge from the border
point -- there is a different rate from the border
point of Montreal to Winnipeg?

A. That's right. It is a different
history behind the construction.

MR. MAURO: It is a different history,
yes.

MR. FRAWLEY: Hence, the Commission.

THE WITNESS: We had to haul apples in



Webster Cr.-ex.
(Mauro)

30 below weather for a period of weeks -- months,
I think it was -- before the railways recognized
it was possible to route in that manner.

Q. And, now, just to conclude a
reference to that chart on page 7, Mr. Webster,
as I understand it and I am advised if you had
taken the full increases, the rate to Winnipeg
would be \$2.90 instead of \$1.97?

A. Yes, sir.

Q. And that is on apples -- and on
peaches, \$3.86 instead of \$2.30.

That was just to try to clarify that
statement that they have taken the impact of all
the horizontal increases.

A. Well, we would suggest shipping to
other points as well as Winnipeg.

Q. I was only using your figures on
page 7 to Winnipeg?

A. Yes.

Q. Now, you mention in paragraph 26,
"Federal subsidy also has been paid on
feed grain movement from the Prairie
Provinces both east and west."

And just so that I understand your position
on that, are you suggesting that that is of primary
assistance to the Prairie grain grower?

A. Primary assistance?



Webster Cr.-ex.
(Mauro)

1
2 Q. Who is the subsidy meant to assist?

3 A. Is it not of assistance to both the
4 shipper and the receiver? I am not sufficiently
5 familiar with the nature of that traffic to know
6 whether it benefits the shipper and the grain
7 receiver.

8 Q. There are some people in our part of
9 the country that say it is of benefit to the livestock
10 feeders?

11 A. I see.

12 MR. SINCLAIR: And some people in your
13 part of the country say the opposite.

14 MR. MAURO: A lot of people say that.

15 Q. In paragraph 27, Mr. Webster, - of
16 course, my learned friend Mr. Frawley discussed this
17 with you - and you are referring there to the fact
18 that the only statutory assistance is in regards
19 to the rate subsidy; that is what you are referring
20 to there specifically in paragraph 27?

21 A. Well, not entirely; I had in mind
22 grain moving as well, and the feed grain.

23 Q. I wonder if you would feel that if
24 there was a certain movement of traffic that was
25 carried at less than its actual cost of operation,
26 carried at less than actual cost, where the operation
27 might be higher than the cost, would that not be
28 in the form of a subsidy, and to be specific, I am
29
30



Webster Cr.-ex.
(Mauro)

speaking of the removal of the mountain differential;
that was a statutory action and there was an
allocation on ----

MR. BRAZIER: I don't quite understand when
Mr. Mauro says it is statutory.

MR. MAURO: It was ordered that the
mountain differential be removed.

MR. BRAZIER: But it was statutory.

MR. MAURO: All right, we will strike the
word "statutory".

Q. The mountain differential was removed,
and some claim that the cost of operation through
the mountains was at a greater cost, and you were
not charged any more as a result of the removal
of the mountain differential and that was in effect
a subsidy to your members?

A. No sir, I wouldn't agree with that.

Q. Why? Do you feel you are paying
the proper cost of operating and shipping through
the area?

A. I don't know that I altogether under-
stand the point of the question.

Q. Well, Manitoba argued that there were
additional costs in operating trains, and the railways
also argued it. It was held that there was ----

MR. SINCLAIR: It was held there was not.

MR. MAURO: Q. The order simply said that



Webster Cr.-ex.
(Mauro)

1
2 the time was not opportune for the sake of national
3 policy that the rates be leveled, but I don't think
4 the order said anything about the determination as
5 to whether or not that would increase the cost
6 or not, but the position of the Board was based on
7 the fact that they said that the time has now come
8 when, from the standpoint of national policy, there
9 should be this equalization.

10 MR. BRAZIER: You might take some time out
11 someday and read all the evidence in the transcript
12 on the mountain differential case; we have forgotten
13 that in this part of the world now.

14 MR. MAURO: Q. On the assumption, Mr.
15 Webster, that there are increased costs in operating
16 trains in that territory, the fact that your members
17 are equalized, or are on an equalized scale, would
18 in fact, be a form of price subsidy?

19 A. Why assume something that hasn't been
20 proved? It is comparable, perhaps, to the Ontario
21 bridge; certain assumptions were made there,
22 but we shouldn't necessarily assume they are correct
23 until we check.

24 Q. No one has denied that the bridge
25 subsidy is a subsidy, that is the point I am
26 discussing; we are not denying that the bridge
27 subsidy is a subsidy, but we are saying there are
28 subsidies and subsidies.
29
30



Webster Cr.-ex.
(Mauro)

1 A. The mountain differential was an
2 assumption of a penalty rather than -----

3 Q. You say there was under this additional
4 costs, that they were penalized - they were
5 charged more for something that didn't exist?
6

7 A. That is as I understand it.

8 MR. BRAZIER: It is well to bear in mind
9 what the British Columbia lumber people said this
10 morning; that some of our rates went up rather
11 than down on the removal of the mountain differential.

12 MR. MAURO: Q. How important is the
13 central Canadian market to you, Mr. Webster, as
14 far as your products are concerned?

15 A. It used to be very important, but we
16 have been having to learn to live without the
17 market we used to have down there.

18 Q. Is the bridge subsidy, which would
19 apply on certain movements for fruits and vegetables
20 from the east into the Prairie regions, hurting your
21 Prairie market, injuring your Prairie market?

22 A. There is no bridge subsidy today,
23 because they enjoy competitive rates.

24 Q. They are on competitive rates?

25 A. Yes.

26 Q. So that the bridge subsidy couldn't
27 matter less to you people as far as your Prairie
28 market is concerned?

29 A. Well, I wouldn't quite put it like that,
30



Webster Cr.-ex.
(Mauro)

but perhaps that is a reasonable statement.

Q. As a matter of fact the vast bulk of your market is in the Prairie region?

A. Yes, that is right.

Q. And in the 1958 waybill analysis out of a total of 737.9 tons, 642 of the sample were into the west to west, in the Prairie regions. This is page 14 of the Waybill analysis. Out of 41 cars -----

A There is this weakness in using the waybill analysis, it is only a small percentage of the whole, and the fruit movement is so seasonable that usually a sample taken isn't representative.

Q. The one percent sample, though, is not just a seasonal sample, it is -----

A. Well, all I can say is that from our limited use of the Waybill analysis we have found it difficult to relate their test to the actual movement.

Q. But out of the 41 cars in this sample, 36 of them were from west to west.

COMMISSIONER MANN: Have you got the average haul for those cars?

MR. MAURO: Average haul per ton?

COMMISSIONER MANN: That is right.

MR. MAURO: 760, west to west. That means, really ----



Webster Cr.-ex.
(Mauro)

MR. BRAZIER: I was just trying to find out whether British Columbia Tree Fruits would have an annual figure on that, and I can supply that to the Commission later on where their shipments go to.

MR. MAURO: Thank you very much.

MR. BRAZIER: How many years would you like that for?

MR. MAURO: Just one or two would be satisfactory.

Q. Now, I notice, Mr. Webster, your Association is recommending this Commission should give serious consideration to a freight structure based more closely on the cost of service principle, is that correct?

A. I don't think we quite said it like that, but that is pretty close, I suppose.

Q. This cost that you are talking about is this out - of-pocket cost of your fully distributed cost?

A. I don't think we have talked about it here.

Q. You mentioned the cost of service principle, and I assume that you are asking this Commission to give some thought to that. We heard from the Vancouver Board of Trade yesterday, and Mr. Elmer told us that the cost he was referring to was the fully distributed cost, and I was wondering



Webster Cr.-ex.
(Mauro)

1
2 if your Association had considered that?

3 A. All we say here is just a reasonable
4 of
5 approximation of the cost/providing service in given
6 instances. We are not defining it any more than
7 that in the Brief.

8 Q. Would your Association think that there
9 should be a minimum, a floor; a minimum contribution
10 cost
11 to overhead/that all rates must return in order
12 that there be an equitable distribution of all
13 costs?

14 A. The minimum contribution ---

15 Q. Assuming that the railways cannot
16 take traffic at below out-of-pocket costs, and
17 that the traffic must be an aggregate and add up
18 to the fully distributed costs?

19 A. We haven't taken any position in that
20 respect.

21 Q. Now, finally, Mr. Webster, your
22 Association has referred to the Crows Nest Rates,
23 and said that if this Commission thinks that there
24 are deficits being suffered by the railways, that
25 the inequality suffered by the other shippers should
26 be alleviated?

27 A. yes.

28 Q. And your Association would apply
29 for something more than simply grain rates, if there
30 are other services carried on by the railways



Webster Cr.-ex.
(Mauro)

at a deficit, and it is deemed these services are in the national interest, you would want any inequalities resulting from this service, the burden resulting from it, to be alleviated?

A. I only offer a personal opinion there; that is not referred to in the Brief at all.

Q. Either a personal opinion or whether or not you think your Association would want to be consistent in enunciating this principle that the inequalities should be lifted from the backs of the freight shippers?

A. Yes, that is right.

Q. And on this field of the horizontal increases, I take it that your Association would support any proposal which attempted to redistribute the costs between terminal costs and line haul costs, and try and change some of the impact from the long haul to the short haul shipper. Your difficulty is as a long haul shipper, is it not?

A. Yes.

Q. And the horizontal increases hit you much harder than a short haul shipper?

A. Yes.

Q. So the proposal which your Association would support would be a scheme that would redistribute more equitably between the short haul and the long haul shippers, the necessary increases, if any?



Webster Cr.-ex.
(Mauro)

A. Well, we haven't gone quite that far, I don't think. All we are proposing here is that long haul traffic be given special consideration.

Q. Have you any idea where you are going to give the long haul traffic, where that will pick up?

A. I see your point.

Q. So that the scheme you would support would be some scheme that would place a little more of the increase on the short haul?

A. Yes.

Q. And a little less on the long haul?

A. You have this \$7¹/₂ million to start with there.

Q. We have suggested in Manitoba a scheme based on a flat cents per hundred pounds plus a percentage increase, which is an attempt to take into consideration the terminal expenses and the fact that it is involved in both short and long haul traffic?

A. Yes.

Q. Thank you very much.

THE CHAIRMAN: I think, Mr. Sinclair, you will not be here tomorrow---

MR. SINCLAIR: I thought that my friend Mr. Macdougall might go first, and I am quite



Webster Cr.-ex.
(Macdougall)

prepared -----

MR. BRAZIER: I wonder if it will be possible to finish with Mr. Webster? I don't want to restrict my learned friends at all, but he is anxious to get back to Kelowna, as well as Mr. Stephens, and perhaps it will not be too long.

THE CHAIRMAN: Well, we can try.

CROSS-EXAMINATION BY MR. MACDOUGALL:

Q. Mr. Webster, my name is Graham Macdougall, and I act for the Canadian National.

I understand your basic problem, Mr. Webster, and the thought which you are trying to leave with this Commission is as stated on page 2 in paragraph 4, which is the fact that because of your geographical location that the greatest part of your crop must be exported to markets outside of the border of British Columbia, which makes you a long haul shipper and your largest market would be in the Canadian Prairies, where your average haul, as you say, is in the neighbourhood of 7 to 8 hundred miles, and you also ship a good deal to Eastern Canada and the United States eastern markets, and therefore it is a long haul movement that your products must be subjected to, and that is the basic problem which you are putting before the Commission, is that right, sir?



Webster Cr.-ex.
(Macdougall)

1
2 A. I wouldn't have phrased it quite that
3 way.

4 Q. Could you put it in a nutshell, the
5 basic thought which you want to leave with this
6 Commission?

7 A. I will try to. What we are attempting
8 to take a serious stab at here is to relate our
9 problem here to the problems of other shippers
10 and receivers in the country, and we make certain
11 recommendations here which would give others
12 consideration as well as ourselves, following the
13 formula which is as defensible as we can possibly
14 make it.

15 Q. Generally speaking the factors which
16 you have spoken of here lead you to believe in some
17 places your rates are too high and that you think,
18 as you expressed it in the Brief, in numerous
19 places you should have lower rates to put you in
20 a proper relative position, is that true?

21 A. Relative position to our competitors
22 or relative in terms of earnings to our growers?

23 Q. In the light of all those problems
24 you tell us that you think one of the things that
25 would help you would be lower rates?

26 A. One of the things that would help
27 the growers would be lower rates, certainly.

28 Q. And you are suggesting in a number of
29
30



Webster Cr.-ex.
(Macdougall)

places here in respect of some of your individual problems, that you should have lower rates for various reasons?

A. Particularly eastern Canada, yes.

Q. On page 2, Mr. Webster, you give some figures there on apples by bushels? What is the difference between a bushel and a box of apples; there are sold sometimes in boxes?

A. Roughly the same.

Q. Am I correct also in my understanding that very little of the movement of your apples and other fruits go to market on the strict class rates; most of them go on commodity rates, non-competitive and competitive?

A. Yes, that is right.

Q. And it is also a fact, sir, is it not, that you have in your rate structure for your fruit, origin groupings in, say, British Columbia and the origin in which the fruit is shipped? A. Yes.

Q. And also origin groupings in Western Canada and in the east into this - the destinations in the Prairies, for instance, to which you ship your fruit.

A. Yes. It is a complex one, but the basis of the eastern rate, of course, is the A.B. territory, the same as all other rates, and the basis of the Western Canadian commodity rate pattern



Webster Cr.-ex.
(Macdougall)

1
2 was a one hundred mile destination zoning which has
3 been interpreted in the case of certain competitive
4 problems.

5 Q. The point I was making was that fruit
6 is not shipped on a strictly -- what you might call
7 an equalized basis, by paying so much per mile for
8 your fruit going to the destinations; it goes to
9 groups that all have the same basis of rates, the
10 destination groups in the Prairies which are of
11 different sizes?

12 A. Yes.

13 Q. The same rates for both groups?

14 A. Yes.

15 Q. When you speak at the top of page 5
16 of the representations that are made in connection
17 with your commodity rates and the compromise formula
18 which was introduced in 1955 which was worked out
19 between your industry and the railways, and that
20 was another element of the grouping problem which
21 was part of the compromise worked out at that time,
22 ~~the~~ expansion of the grouping?

23 A. No, it was contraction of the grouping;
24 we had enjoyed more favourable grouping before that
25 deal.

26 Q. It was an adjustment of the grouping?

27 A. Yes.

28 Q. On the table on page 7 -- I just wanted
29
30



Webster Cr.-ex.
(Macdougall)

1
2 to continue what Mr. Mauro started with you there --
3 I notice in paragraph 27 and paragraph 37 of your
4 Brief that you made reference to the fact
5 that your product has been particularly subject to
6 what you call, " the pyramiding formula of
7 horizontal increases compounded on increases places
8 an unfair and discriminatory burden on our industry."
9 And in looking at the table on page 7, the three
10 points, Calgary, Regina and Winnipeg, subject to
11 somebody checking my arithmetic, would you agree
12 that the rate of \$1.02 on apples to Calgary is
13 43.7 percent higher than the base rate of 1922
14 which is the rate in effect prior to the 1948 increase?

15 A. I have no doubt you have calculated it
16 correctly, sir.

17 Q. I have calculated it, and I would
18 just ask you to accept the arithmetic.

19 MR. BRAZIER: What is that?

20 MR. MACDOUGALL: Q. 43.7. Well the
21 71 cent rate was the rate prior to 1948, and then
22 Regina, it is \$1.13, and the rate was the rate
23 in effect prior to ^{the} 1948 increase, and it would be
24 \$1.91 for 1959, a 69 percent increase.

25 Now, for Winnipeg it is the same calculation,
26 \$1.91, and that is 69 percent above the \$1.15 in
27 1922, which was the rate in effect prior to the
28 1948 change, and I think also for the record that
29
30



Webster Cr.-ex.
(Macdougall)

1
2 you will agree with me that the present rate to
3 Winnipeg which you spoke of to Mr. Mauro as being
4 put into effect -- I think it was December 31, 1959--
5 it was put into effect to meet certain competitive
6 situations and it was \$1.80?

7 A. Yes.

8 Q. And not the \$1.91 which would be only
9 59.3 percent above what I have taken as a base rate
10 on the \$1.13. So you would agree that from the
11 point of view of these rates, to these large cities,
12 that your rates have been increased much less than
13 the overall figure of 157 percent which is sometimes
14 spoken of as the accumulative effect of the horizontal
15 percentage increases?

16 A. I think that is apparent, and the main
17 reasons for differences are outlined in the early
18 part of my brief.

19 Q. Yes, I quite agree.

20 A. May I make another comment in connection
21 with that comparison?

22 Q. Yes, please do.

23 A. There is a point that we have expressed
24 on a number of occasions in making such a comparison,
25 that we feel it is not reasonable to compare rates
26 today or last year with rates that were in effect
27 during the base period - 1948 and earlier, as a
28 clean comparison, and that, first of all, consideration
29
30



Webster Cr.-ex.
(Macdougall)

1
2 must be given to the fact that certain
3 discriminations existed in 1948 that have been
4 removed, because it has been recognized they were
5 indefensible, and we would suggest those adjustments
6 should be made first, and then a percentage
7 comparison related one to the other.

8 Q. It would be true also to say that
9 if the comparisons being made were made with the
10 1948 rates that the percentages would have been much
11 smaller?

12 A. I thought it was the 1948 rates you
13 compared.

14 Q. No, in the Calgary rate on apples
15 I took my comparison rate just prior to 1948 ---
16 I took the 71 cents, and if I had taken it on
17 68 cents my comparison would have been lower.

18 A. I might say, in making such a
19 comparison, these particular examples are perhaps a
20 little unfortunate, that an average of the entire
21 Western Canada movement would not be quite as
22 favourable to your presentation as these particular
23 cases are.

24 Q. That could be, sir; I have just taken
25 what you have put here. Your statement on page 10,
26 commenting on Mr. Commissioner MacPhee's report
27 on page 489, where he is referring to -

28 "...urges the industry and the Provincial
29 Government to make most vigorous representations
30



Webster Cr.-ex.
(Macdougall)

for the exemption of this industry from
further rate increases..."

- that remark the commissioner made was there was
prior to the negotiations an agreement reached
between your organization and the railways which
Mr. Frawley spoke to you about and which Mr. Hume
brought up?

A. That is correct.

Q. And while speaking of the negotiations,
which I understand from my advisors took place in
Calgary in the summer of 1959, the negotiations
that took place between your organization and the
railways were for the making of an agreed charge
on fruits; isn't that correct?

A. Yes, I would almost go all the way
with you there, sir. Perhaps we would be a bit
more accurate if we extended the date there beyond
August 1959. It is true there was a key meeting
in Calgary in August 1959, and there have been
a number of other exchanges both before and after
that.

Q. Yes, it was quite a very long negotiat-
ion?

A. Yes.

Q. And you will remember the railways
presented to you a proof of the agreed charge
which was to be signed between the parties, and am
I not also correct that the reason it was not signed



Webster Cr.-ex.
(Macdougall)

1
2 at that time, and the competitive rates and other
3 rates were put into the tariff, was because of
4 certain complications in connection with the
5 construction of the rates which required further
6 negotiations?

7 A. Yes.

8 Q. You had certain problems of marketing
9 and the railways, at your suggestion, put the rates
10 on open tariff?

11 A. Yes.

12 Q. Isn't it also correct that you intend
13 to sign the agreed charge with the railways?

14 A. We are hopeful that will take place
15 on the 1st of June, 1960.

16 Q. You are hopeful: I put it to you
17 as soon as these complications are straightened
18 out, that the agreed charges will be signed between
19 your organization and the railways?

20 A. That is so.

21 Q. And the publication you spoke of to
22 Mr. Frawley was to hold these other factors?

23 A. Yes.

24 MR. FRAWLEY: What percentage of traffic
25 are you going to sign up for?

26 MR. WEBSTER: 90 percent.

27 MR. HUME: The trucks will be a stand-by
28 service?
29
30



Webster Cr.-ex.
(Macdougall)

MR. MACDOUGALL: It won't be a very satisfactory position to be in, because we have been in it so long and we know it well.

Q. The situation you describe on page 12, paragraph 40 and following, "rates on Western fruit are the same to Vanceboro, Maine" etc: Do I understand your suggestion there is that you think that the arbitraries on this traffic over the Montreal rate should be eliminated and should be just a grouping of the Maritime area on the basis of the Montreal rate?

A. We would welcome that.

Q. Yes, because you are suggesting that the rate -- you say the rate there, Kelowna to Vanceboro is \$2.26 which is the same as from Kelowna to Montreal, and you would like the Vanceboro rate extended to the whole of the Maritime Provinces?

A. Yes, we would be very happy with that. I would point out there that the basis of our representations to the railways which have not been successful so far has been not for that, but for a return of the rates to the levels that prevailed prior to the 1st of December, 1958.

Q. I think it is probably fair to say you would not find the railways too agreeable to making a grouping of that kind; that has been your



Webster Cr.-ex.
(Macdougall)

experience?

A. It has never been done, and yet there are some pretty persuasive arguments in the light of what is done on the other side of the line.

Q. On the question of these arbitraries, perhaps we should point out this method of making rates based upon the Montreal rate from Western Canada to Montreal, plus an arbitrary beyond a certain point and a further arbitrary to a succeeding further point is a normal method of rate making not only on fruit but for other traffic?

A. We enjoy the Maritime rate on export traffic without any arbitrary.

Q. Yes, but domestic fruit, you have those systems of arbitraries over Montreal on all the traffic moving into the Maritime region from Western Canada or central Canada and also the export traffic which you spoke of -- the rates on the export traffic arise out of the port relationships between American and Canadian ports?

A. It can be done, but on export traffic the New York rate may be argued as being just as reasonably applied to Halifax as to St. John, but it never has been done.

Q. Well, that is a whole wide field we could argue about for a long time. But, the fact of the matter is, there are export rates to



Webster Cr.-ex.
(Macdougall)

meet export rates from American ports?

A. Yes.

Q. On the reference to long haul traffic on page 14 you expressed concurrence with the words in the Turgeon Commission Report in connection with the long haul traffic, but insofar as your products are concerned, isn't it correct to say that your traffic moving from British Columbia into Eastern Canada competitive with the rates that Mr. Frawley spoke of between Yakima and Wenatchee moving into Eastern Canada, that by the application of those competitive rates you do obtain the benefit of not only the competition, but the type of freight making made in the States with the hold-downs applied to the American rates?

A. With certain exceptions: one is the protective service feature I mentioned earlier; and, secondly, the matter of exchange, in that it is unfavourable and gives the American shipper an advantage.

MR. MACDOUGALL: I think that is all I have, thank you very much.

CROSS-EXAMINATION BY MR. SINCLAIR:

Q. Mr. Webster, my first question would be this: Do the growers in the Okanagan, and members of your Association, of fruit and vegetables-- do they pay the freight charges on goods shipped to



Webster Cr.-ex.
(Sinclair)

the Prairies, or do the receivers pay them?

A. I think there is a good answer to that in the Brief, where I use the term "residual payment"

Q. That was a fancy phrase, and I wondered if that meant the farmers of the Okanagan paid the freight on the shipments to the Prairies; is that what it means?

A. I think that if you are looking for a simple answer, that would be as accurate as you can get.

Q. If the people in the Prairies say they paid the freight, as they have told this Commission, on everything they receive, they would be wrong with respect to apples, peaches, cherries, from the Okanagan?

A. I don't think Mr. Andrews would mind my comparing his presentation on this point to our own, where he, I believe, if I recall his words correctly -- it was along the line that when there was an increase in transportation costs it was passed to the consumer in the case of lumber. That has not been our situation at all.

Q. You have paid it?

A. We have had to contend with active competition from the areas referred to earlier this afternoon, and the market price has been a competitive / and from this these various intermediate charges have had to be deducted before the



Webster Cr.-ex.
(Sinclair)

grower got his --

Q. Yes, he, as a primary producer, forcing himself into a market against other suppliers pays freight?

A. Right.

Q. Unless the demand situation is such that he can transfer it, and your situation has not been that in the Prairies?

A. That is correct.

Q. Now, on page 3 you mention that the growers in the United States had the advantage of the 60 percent factor against your rates for equidistant mileages: those roads carrying that would be roads like the Great Northern, Northern Pacific, Milwaukee and they traverse the very large wheat growing area of the Pacific Central Plains and the Pacific Northwest; that is correct?

A. Yes, sir.

Q. Do you know what they happen to get on the movement of grain to, for instance, Duluth or to the Pacific ports for export?

A. I have seen comparable tables.

Q. Would you mind telling the Commission how much?

A. I am sorry, I haven't got the figures in front of me. I have no doubt you know them



Webster Cr.-ex.
(Sinclair)

1
2 much better than I do. As I understand it,
3 the grain rate from a border point south of Alberta
4 is some three or four times the Canadian rate.

5 Q. And do you think that factor is
6 taken into account in relationship to what the
7 railways are able to do for other shippers?

8 A. We note the comparison. We are
9 pleased to find the railways looking to the
10 American comparison as an argument in favour of
11 higher grain rates in that we have the reverse
12 situation: We have been struggling for years
13 because of the American rates being lower.

14 Q. The American and Canadian railways
15 have never tried to equalize. They have only
16 pointed out certain factors, recognizing there are
17 certain differences in the situation. So, don't
18 be too happy until you get the full picture of it.

19 I was going to ask you whether you felt this
20 comparison that you made on page 4 of the
21 classifications in paragraph 10, whether you were
22 really trying to assist the Commission there by
23 saying that in the United States you get 32½ percent
24 as against 45 percent on class one hundred classificat-
25 ion? You know, don't you, that the basis of the
26 classification ratings is different in Canada than
27 the United States, and that there are factors
28 reflected in the United States percentage that are
29
30



Webster Cr.-ex.
(Sinclair)

not reflected in the Canadian percentage; you knew that?

A. Well, the factor that is different is the reason why we mentioned it, but we do think this, that the Canadian classification on fresh fruits was made at a time when conditions were very different from what they are today, and that Dean MacPhee may have a point when he suggests that we should ask for a new look at that particular problem in Canada.

Q. But your industry was part of the classification Committee?

A. I could not give you the year.

Q. No, in the last revision?

A. No representations were made. Perhaps we were at fault in making no representations; but, we took no action.

Q. One of the factors--there is, a classification where they have worked in certain factors, right into the basic classification, involved in their classifications, such as truck competitive factors, water competitive factors, and the method is somewhat different in Canada; that is correct, isn't it?

A. I am not too familiar with that particular feature.

Q. You have not studied the background



Webster Cr.-ex.
(Sinclair)

1
2 of the U.S. and Canadian classifications?

3 A. No, not what you would call thoroughly.

4 Q. By the way, Mr. Webster, in June 1958
5 there was a suggestion by your industry to the
6 Board of Transport Commissioners, as I recollect it,
7 that your industry had taken the full impact of
8 the horizontal percentage increases just the same
9 way as you have stated it today. You said to
10 my friends there were a number of exceptions to
11 that, and some of those are plainly seen from
12 the data you put in on page 7 of your submission
13 at points, Calgary, Regina and Winnipeg, which
14 you said were large markets for your products.
15 But, do you recall the exhibits that were filed in
16 those June 1958 proceedings showing the percentage
17 increases at a large range of places for moving
18 your traffic right across the country --- do you
19 remember those exhibits?

20 A. I have a copy of an Exhibit with me
21 which was used in our presentation to the Board
22 on commodity equalization.

23 Q. I am talking about the Exhibits filed
24 by the railways, showing the percentage increases
25 that you actually did take at various places through-
26 out the country: do you remember those?

27 A. Not the railway figures, but I do
28 have similar figures.
29
30



Webster Cr.-ex.
(Sinclair)

1
2 Q. Was my recollection correct that
3 I think in most places they were substantially
4 below one hundred, and there were only rare
5 occasions where you got over one hundred over
6 the base period?

7 A. It is between which year?

8 Q. Between the base year of 1948 and
9 1958?

10 A. Before the 17 percent increase.

11 Q. Would that be right?

12 A. It might be of some assistance, if I
13 just ----

14 Q. Well, these are available to the
15 Commission I think ----

16 THE CHAIRMAN: Yes.

17 MR. FRAWLEY: It might be interesting to
18 have Mr. Webster put them on the record.

19 THE WITNESS: I think there are tables
20 here that were prepared in 1958.

21 MR. SINCLAIR: Q. What date?

22 A. They do not reflect the 17 percent
23 increase but I think everything -- in fact I know
24 everything up to that, or say, prior to the 17 percent
25 increase is in here. Oh, I just have the rates
26 and no percentages there.

27 Q. I think you have to go to the railway
28 exhibits to get the percentages.
29
30



Webster Cr.-ex.
(Sinclair)

A. I have some percentages here, also.

I don't want to take up your time, but I have some here -- percentage rate for standard freight from Oregon to Lethbridge. This is 1958.

For example, \$1.61 which is only 128 percent of the rate in effect in 1957. But, on the other extreme, the rate on apples and pears to Flin Flon, Manitoba is now \$2.60, which is 230 percent of the base rate.

Q. 230 percent increase, or 230 percent of the base rate?

A. 130 percent increase.

Q. 130 percent increase?

A. Yes. Our pattern of rates is not at all uniform in that respect.

Q. Did the Board not take the position pretty strenuously with you, Mr. Webster, that you really had very little to complain about with respect to the rate adjustments that had been made? Wasn't that the result of that investigation?

MR. BRAZIER: I don't think that is a fair question to put to the witness.

THE CHAIRMAN: Well, the Judgment will speak for itself.

MR. BRAZIER: Yes, I think the judgment will speak for itself.

MR. SINCLAIR: Q. Well now, Mr. Webster,



Webster Cr.-ex.
(Sinclair)

1
2 I am always intrigued with the perishable shipper
3 who brings up protective service. Would your
4 industry suggest to this Commission that the B.C.
5 Tree Fruits organization take over the obligation
6 of supplying protective services on your own?

7 A. Yes, sir.

8 Q. And there have been perishable shippers
9 who have taken that position and rued the day,
10 because it is a very expensive service to provide?

11 A. We have made certain recommendations
12 to the Commission that have been initially followed.

13 Q. But the very fact that heaters have
14 not been lit -- there are certain responsibilities
15 resting on the railways with regard to protection.
16 If anything goes wrong, or their information is
17 wrong, the shipper expects to get paid for the
18 fruit that gets damaged or frozen, particularly
19 tree fruit?

20 A. I think you are on very dangerous
21 ground there.

22 Q. I have been in these fights, I know,
23 but I am just asking you do you expect to get paid?

24 A. For claims?

25 Q. Yes?

26 A. Yes, we do get paid for legitimate
27 claims, but I would say this, that the number of
28 claims today is a very, very small fraction of what
29 it used to be, and that is one of the reasons that
30



Webster Cr.-ex.
(Sinclair)

1
2 we felt we should do something about this
3 classification.

4 I wonder if I might just take one minute to
5 mention a feature of this protective service
6 point that was brought up, in that I think the
7 railways are particularly open to criticism in the
8 field of refrigeration, in that in following the
9 precedent set by truck operators, and while we will
10 say truck operators in this particular feature,
11 moving into the position of protective service
12 without separate charge, and in so doing are not
13 exerting any policing whatsoever over the quantity
14 of ice and salt that is used. We would suggest
15 that that is one special example that we see in
16 our industry where the railways have dared to put
17 into effect obvious savings which could be
18 accomplished.

19 Q. But my point is, Mr. Webster, I think
20 you would find, would you not, that the railways
21 would lend a very sympathetic consideration
22 to a suggestion by your organization that they be
23 relieved of providing protective service, and that
24 your organization take it over. Have you
25 considered that?

26 A. We have never discussed it.

27 Q. Have you ever considered doing that?

28 A. No. We wouldn't be in favour of
29
30



Webster Cr.-ex.
(Sinclair)

doing that.

Q. Now, in respect to this matter of horizontal increases, the suggestion of the selective increase was discussed with you by a number of my friends, and particularly Mr. Cumming. And your view was that you would apply a means test, which is one way of expressing your evidence; and another way might be, Mr. Webster, that you would increase all commodities by a percentage increase, for instance, that were earning, say, less than $2\frac{1}{2}$ cents per ton per mile. Would that be a method that you would find satisfactory?

A. It hadn't occurred to us at all.

Q. But that would be selective, wouldn't it? For instance, if somebody thought that rates were too low in certain areas, one of the ways of increasing them would be to increase all traffic which was earning less than $2\frac{1}{2}$ cents per ton per mile, and let it carry the full burden, and anything over $2\frac{1}{2}$ cents per ton per mile, until such time as the low rated traffic moved up, would----

A. We had no recommendation of that type to make. It seems to me it is a very arbitrary figure to strike.

Q. Maybe you would like to take the figure 3 cents per ton per mile, or 2 cents per ton per mile?



Webster Cr.-ex.
(Sinclair)

A We haven't sufficient knowledge
to set a figure.

Q. That would be selective; wouldn't
it?

A. Yes.

Q. Now, Mr. Webster, I am instructed
that you do have an agreed charge on certain of
the goods moving from Kelowna to Toronto?

A. No, sir.

Q. You have not?

A. No, sir.

Q. My information is wrong?

A. Well, if I am wrong, it is because
I haven't been recently involved. If there is
something new, perhaps I haven't heard of it;
but, certainly, if something of that kind has been
negotiated recently, it is outside of my knowledge.
My responsibilities do not extend to rates and
services for canned goods.

Q. They do not?

A. No.

MR. BRAZIER: What is the number of the
agreed charge?

MR. SINCLAIR: I haven't got the number--
Kelowna, Leamington and Toronto.

THE WITNESS: I think I remember that one.
That was an agreement, I believe, that was



Webster Cr.-ex.
(Sinclair)

negotiated by one of our receivers in connection with a special movement -- a special seasonal movement -- which is now completed, I think.

MR. SINCLAIR: Q. It is not now in force, is it?

A. I don't think so. I wouldn't say so authoritatively .

Q. One further point, Mr. Webster. The B.C. Tree Fruit industry have other problems besides transportation problems, I take it?

A. Yes, sir, plenty.

Q. And one of them is the problem of increasing costs; for instance, of labour and materials?

A. Yes, sir.

Q. And this is borne with some severity on the Okanagan Tree Fruit Industry; correct?

A. Yes.

Q And therefore the industry has to be in the position to try to adjust its prices upward and to reduce its costs in every possible way?

A We are constantly striving to do what we can within our own capacity to arrive at partial solutions.

Q That's right, and you would feel that any other business should have that freedom to



Webster Cr.-ex.
(Sinclair)

operate in the same way?

A. Any other business, including railways.

Q That's right.

A. No, we wouldn't go quite that far.

The principle of railroad regulation has been long established in Canada.

Q. I see. You would like to keep some shackles on the railroad, but you want to be completely free; is that right?

A. We wouldn't use those words. I think there is a more reasonable way of expressing it.

THE CHAIRMAN: I think we understand the witness.

MR. SINCLAIR: Now, Mr. Webster, I do thank you for your patience in staying late to answer my questions, and I do say this to you and to the Commission, that down through the years I do not know of any person who has been a stronger advocate whether he was right or wrong in doing it, a stronger advocate of lower rates for B.C. Tree Fruits than Mr. Webster.

BY MR. BALCH:

Q. As a native of Niagara district, sir, I wonder how you can ship -- do you ship peaches down to that section of the country from here?

A. Just occasionally.

Q. Just occasionally. Do you think



Webster Cr.-ex.
(Balch)

they are as good as ours?

A. We leave that to you to judge.

MR. BALCH: That's all I wanted to say.

BY COMMISSIONER ANSCOMB:

Q. Mr. Webster, I want to get a little away from the field of freight rates for a moment, so you will get a little relief.

What additional planting by acreage has taken place for apples in the Okanagan in the last five or six years? How much expansion has taken place?

MR. STEPHENS: If I may answer that, I would say there is very little expansion over and above the acreage there prior to the frost damage. It has been a replacement, rather than an increase in acreage. There has been some increases, but generally it has been a replacement of frost-killed trees.

Q Would you just tell the Commission so they may have the knowledge of it, what bonuses or assistance or subsidies or gifts, or any other way you like to express it, your industry has had from the National Government in the last five years?

MR. STEPHENS: In the last five years?

Q. Make it six -- I don't mind.

MR. STEPHENS: Well, even in six we have had no subsidy on fresh fruit.



Webster Cr.-ex.
(Anscomb)

Q. No. I am talking about apples.

MR. STEPHENS: Oh, apples. We haven't
had anything at all. None.

Q. No assistance given in the years when
you had difficulty to market your crops?

MR. WEBSTER: That would be back in the
post-war years. We did have two seasons when,
due to the complete loss of export markets - there
was some assistance given.

Q. How much? Just roughly?

MR. WEBSTER: In one case it was about
25 cents a box, and in one case, 12 cents a box.

Q. What help did you have in the early
1950's, when you had that bad frost and half of
your trees were wiped out? You had assistance
from the National Government and Provincial
Government?

MR. WEBSTER: Provincial Government only.

Q. Didn't the National Government give
the Provincial Government some assistance -- an
agreement between the two?

MR. WEBSTER: If they did, we didn't know
about it. We were pressing them very hard for
some assistance.

Q. What did that cost? How much was
it? It was quite a considerable sum, wasn't it?

MR. WEBSTER: I think the sum was about
two hundred thousand dollars.



Webster Cr.-ex.
(Anscomb)

Q. Now, my friend, Mr. Balch, talked about the Niagara belt. Do you ship any apple juice into the Maritimes?

MR. WEBSTER: Yes?

Q. Do you ship any apple juice into the Maritimes?

MR. WEBSTER: No. We have actually had to buy some down there.

Q. That is exactly what I want to know. I want to know why you were buying apples down there, when the Lord put the delicious apple here that created all the trouble with Adam and Eve.

The man told me he ^{was} shipping juice out there and he wanted a freight subsidy.

MR. WEBSTER: The popularity of the B.C. apple itself was such that we did not have enough, and we had to go down there and buy juice made according to our formula.

Q. Your formula may be all right, but the apple substance is different. You had better watch that.

I just want to take you to section 53, page 15. I know what it means and so does everybody else. You use the three words "capacity to pay". Whose capacity to pay, Mr. Webster? In a question of an increase in freight rates, do you mean some other industry other than your own, or do you mean the



Webster Cr.-ex.
(Anscomb)

people in your own organization who have a capacity to pay?

MR. WEBSTER: That is correct.

Q. Is that what you mean?

MR. WEBSTER: Yes.

Q. You mean to tell me some farmer who is successful in the Okanagan -- he has to pay more than the fellow who has not been successful?

MR. WEBSTER: I am thinking collectively in terms of one industry against the other than the products produced, -- whether it is reasonable to expect that product to bear more transportation costs.

Q. You want to get what a lot of other people do -- the fellow who is successful and makes something, he should be penalized all the time; is that the idea?

MR. WEBSTER: Well, we are reaching for answers. I don't think any of these answers are completely the whole answer in themselves, but we have attempted to make a few suggestions here which to us make sense, from the experience we have gained.

MR. STEPHENS: I think the principle of the ability to pay runs pretty widely throughout the country, and it also means this, that if an industry or a commodity has not the ability to pay, then the



Webster Cr.-ex.
(Anscomb)

1
2 railways are not going to get it.

3 COMMISSIONER ANSCOMB: I agree with that.
4 But you say you do not want to apply it to the
5 railways.

6 BY COMMISSIONER MANN:

7 Q. Mr. Sinclair has paid you the compliment
8 of saying you were an ardent advocate of lower
9 rates. I take it in your work, you have negotiated
10 quite a bit with the railways?

11 MR. WEBSTER: Yes.

12 Q. On the whole, your negotiations have
13 been good, although sometimes frustrating; would
14 that be right?

15 MR. WEBSTER: It is very difficult to find
16 adjectives to describe some of them.

17 Q. When you negotiate with the railways,
18 where do you negotiate -- in Vancouver, Winnipeg,
19 or Montreal?

20 MR. WEBSTER: Everywhere, sir.

21 Q. Predominately, for the major issues,
22 where?

23 MR. WEBSTER: Well, our normal relationship
24 is through the local Kelowna office of the railway
25 district freight rate office.

26 Q. Can he make decisions?

27 MR. WEBSTER: He has to go to Vancouver.
28 Vancouver has certain powers there. Vancouver
29
30



Webster
(Mann)

1 frequently has to go to Winnipeg, and, on the
2 major issues, Winnipeg has to go to Montreal.
3 So, we find ourselves on different issues negotiating
4 at various levels.
5

6 Q. And your competitors across the line
7 -- what happens in their case; say, the Yakima
8 and Wenatchee growers -- where does he go?

9 MR. WEBSTER: I can answer that in various
10 ways. One way I think might be particularly
11 helpful -- at least it is the most helpful thing
12 that occurs to me on the spur of the moment --
13 I think certain progress has been made in Washington
14 to move towards industry experts working for the
15 railways. I am thinking of one railway in
16 particular. There are other railways also moving
17 that way. We are very much in favour of that
18 trend. We think it is happy. We would like to
19 see the Canadian railways moving also in that
20 direction, because these rates officials, as they
21 know so well themselves, are so burdened with
22 contracts problems affecting all industries, it is
23 not easy to isolate themselves at a particular time
24 to look at a current problem for one industry.

25 Q. You would want someone in the
26 Vancouver Fruit industry sitting in Ottawa to make
27 the final decision?

28 MR. WEBSTER: Certainly sitting somewhere;
29
30



Webster
(Mann)

yes.

COMMISSIONER MANN: On page 14, paragraph 49, you make some remarks about the Maritime Freight Rates Act, and while I have no interest at all in that Act -- I was waiting for a question from Mr. Mauro which did not occur. You leave the inference there that the Maritime Freight Rates Act was given to the Maritimes because they are a Maritime region, as a sea coast, and I was expecting Mr. Mauro to put a claim in for Manitoba because it has a sea coast.

I think that's all I have.

MR. FRAWLEY: Mr. Chairman, before the Commission rises, I will not even ask the right to follow up any answers by Mr. Webster with regard to his statement to Mr. Sinclair, really, in acquiescence of one of Mr. Sinclair's leading questions, that the Okanagan shipper paid the freight on all of the fruit.

Now, as far as I am concerned, in the Province of Alberta, where there is no American line running in, I challenge that statement that in Alberta the apples do not come over from Okanagan, without we pay the freight to get them there. If there is any question about that, I would like the Commission staff to do some research on the subject.



1 THE CHAIRMAN: I think that will be a
2 problem we will have to deal with.
3

4 Well, we will adjourn now until 9:30
5 tomorrow morning, and we will then go on, and
6 hope to finish by shortly after noon.
7

8 ---Adjournment
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